

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
QUARTZ SURFACE PRODUCTS FROM CHINA

) Investigation Nos.:  
) 701-TA-606 AND 731-TA-1416  
) (FINAL)

Pages: 1 - 357  
Place: Washington, D.C.  
Date: Thursday, May 9, 2019



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1 UNITED STATES OF AMERICA  
2 BEFORE THE  
3 INTERNATIONAL TRADE COMMISSION  
4

5 IN THE MATTER OF: ) Investigation Nos.:  
6 QUARTZ SURFACE PRODUCTS ) 701-TA-606 AND 731-TA-1416  
7 FROM CHINA ) (FINAL)  
8  
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12 Main Hearing Room (Room 101)  
13 U.S. International Trade  
14 Commission  
15 500 E Street, SW  
16 Washington, DC  
17 Thursday, May 9, 2019  
18

19 The meeting commenced pursuant to notice at 9:30  
20 a.m., before the Commissioners of the United States  
21 International Trade Commission, the Honorable David S.  
22 Johanson, Chairman, presiding.  
23  
24  
25

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7 Commissioner Rhonda K. Schmidtlein

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Tyrell Burch, Management Analyst

16 Sharon Bellamy, Records Management Specialist

17

18 Lawrence Jones, Investigator

19 Gregory LaRocca, International Trade Analyst

20 Aimee Larsen, International Economist

21 Emily Kim, Accountant/Auditor

22 Michael Haldenstein, Attorney/Advisor

23 Elizabeth Haines, Supervisory Investigator

24

25

1 APPEARANCES:

2 Congressional Appearances

3 The Honorable Amy Klobuchar, United States Senator,  
4 Minnesota

5 The Honorable Tina Smith, United States Senator, Minnesota

6 The Honorable Jim Hagedorn, United States Representative,  
7 1st District, Minnesota

8

9 Opening Remarks

10 Petitioner (Luke A. Meisner, Schagrin Associates)

11 Respondents (Jonathan T. Stoel, Hogan Lovells US LLP)

12

13 In Support of the Imposition of Antidumping and  
14 Countervailing Duty Orders:

15 Schagrin Associates

16 Washington, DC

17 on behalf of

18 Cambria Company LLC

19 Martin Davis, President and Chief Executive Officer,

20 Cambria Company LLC

21 Jim Ward, Chief Financial Officer, Cambria Company LLC

22 Brian Scoggin, Executive Vice President Operations,

23 Cambria Company LLC

24 Rebecca Shult, General Counsel, Cambria Company LLC

25

1 APPEARANCES (Continued):

2 Jon Grzeskowiak, Director of R&D and Process  
3 Operations, Cambria Company LLC

4 Sam Marchese, Chief Executive Officer, Consolidated  
5 Supply Company

6 Darlene Brown, Owner, Busch Products Inc.

7 Bob Brown, Owner, Busch Products Inc.

8 Chris Stewart, Chief Executive Officer, International  
9 Granite and Stone

10 Kim Clark, President, Palmetto Surfacing Inc.

11 Roger B. Schagrin, Luke A. Meisner, and Elizabeth J.  
12 Drake - Of Counsel

13

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17

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1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping and

3 Countervailing Duty Orders:

4 Morris, Manning & Martin, LLP

5 Washington, DC

6 on behalf of

7 Fujian Pengxiang Industrial Co., Ltd ("Fujian")

8 China Stone Material Association ("CSMA")

9 China Chamber of Commerce of Metals, Minerals & Chemicals

10 Importers & Exporters ("CCCMC")

11 (collectively, "Chinese Respondents")

12 Qian Jingfen, Vice Chairman, CCCMC

13 Fan Feihua, Legal Department Head, CCCMC

14 Zheng Xu, Senior Partner, Juncheng Tongda & Neal Law

15 Firm

16 Emma K. Peterson, Trade Analyst, Morris, Manning &

17 Martin, LLP

18 Julie C. Mendoza and R. Will Planert - Of Counsel

19

20

21

22

23

24

25

1 APPEARANCES (Continued):

2 Harris Bricken McVay, LLP

3 Seattle, WA

4 on behalf of

5 Reliance Granite and Marble Corp., Universal Granite &

6 Marble Inc.,

7 Stone Showcase Inc., Cosmos Granite & Marble, Inc.,

8 Bedrock Quartz, Stone Warehouse, Absolute Stone,

9 Ameriquartz,

10 Mont Granite, Quartz Source LLC, OHM International, JR

11 Granites,

12 Unique Stone Concepts, Natural Stone Logistics Inc (dba

13 EasyStones),

14 Emgee Stone, Pacific Granites, Stone and Cabinet Outlet Inc.

15 Stone Connection, Stone Channel Inc., Budget Granite and

16 Countertops LLC and Ankur International Inc.

17 (collectively, the "Importers")

18 Alan Jorgensen, Chief Executive Officer, Bedrock Quartz

19 Surfaces, LLC

20 Evan Kruger, Managing Member of Quartz Source, LLC and

21 Solidtops, LLC in Easton, MD

22 Vineet Malik, President, Stone Showcase

23 Victor Torres, Director and Co-owner, Absolute Stone

24 Corporation

25 Dunes Bafna, Owner and President, Mont Granite, Inc.

1 APPEARANCES (Continued):

2 Larry LaBrier, Chief Executive Officer, Unique Stone  
3 Concepts, LLC

4 Anik Narula, Universal Granite and Marble

5 Marcos Machado, Director, Ameriquartz LLC

6 Binod Toshniwal, President, Ankur International

7 Jugal Ladda, President, Reliance Granite and Marble  
8 Corp

9 Jtendra Gupta, President, JR Granites

10 Saket Hans, Chief Operating Officer, OHM International

11 William E. Perry - Of Counsel

12

13 Hogan Lovells US LLP

14 Washington, DC

15 on behalf of

16 M S International, Inc ("MSI")

17 Arizona Title LLC ("Arizona Tile")

18 Bedrosians Tile & Stone

19 Rupesh Shah, President, MSI

20 Matthew Huarte, Owner and Vice President for Business  
21 Development, Arizona Tile

22 Marisa Bedrosians Kusters, Owner and Legal Counsel,  
23 Bedrosians Tile & Stone

24 Josh Yoltay, Founder and Chief Executive Officer,  
25 Artelye Marble & Granite



1 APPEARANCES (Continued):

2 Jeffrey Keck, President and Owner, Marble Uniques

3 Tim Butler, Vice President - Purchasing & Inventory,  
4 Wisenbacker Building Services

5 James Dougan, Vice President, Economic Consulting  
6 Services, LLC

7 Susannah Perkins, Staff Economist, Economic Consulting  
8 Services, LLC

9 Jonathan T. Stoel, Jared R. Wessel, Michael G. Jacobson  
10 - Of Counsel

11  
12 Alston & Bird LLP

13 Washington, DC

14 on behalf of

15 Architectural Surfaces Group ("ASG")

16 Jason Brown, Director of Product Management, ASG

17 Scott Jarvis, Associate General Counsel, Select  
18 Interior Concepts (parent company of ASG)

19 Jason M. Waite - Of Counsel

20

21

22

23

24

25

1 APPEARANCES (Continued):

2 Curtis, Mallet-Prevost, Colt & Mosle LLP

3 Washington, DC

4 on behalf of

5 LG Hausys America, Inc.

6 Michael Morici, Director of Surface Products, LG Hausys

7 America, Inc.

8 Dan Prokop, Production Director, LG Hausys America,

9 Inc.

10 Daniel L. Porter and Gina M. Colarusso - Of Counsel

11

12 Sandler, Travis & Rosenberg, P.A.

13 Washington, DC

14 on behalf of

15 MStone LLC

16 Construction Resources USA and

17 National Stoneworks LLC

18 Mitch Hires, Chief Executive Officer, National

19 Stoneworks LLC and Construction Resources USA

20 Drew Murray, Vice President of Business Development,

21 MStone LLC

22 Kristen Smith, David Craven and Sarah Yuskaitis - Of

23 Counsel

24

25

1 Rebuttal/Closing Remarks:

2 Petitioner (Roger B. Schagrin, Schagrin Associates)

3 Respondents (Julie C. Mendoza, Morris, Manning & Martin,

4 LLP, and Jonathan T. Stoel, Hogan Lovells US LLP)

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1 P R O C E E D I N G S

2 9:35 a.m.

3 CHAIRMAN JOHANSON: Good morning. On behalf of  
4 the U.S. International Trade Commission I welcome you to  
5 this hearing on the final phase of Investigation Nos.  
6 701-TA-606 and 731-TA-1416 involving Quartz Surface Products  
7 from China.

8 The purpose of these final investigations is to  
9 determine whether an industry in the United States is  
10 materially injured or threatened with material injury or the  
11 establishment of an industry in the United States is  
12 materially retarded by reason of imports of quartz surface  
13 products from China.

14 Schedule setting forth the presentation of this  
15 hearing, notices of investigation and transcript order forms  
16 are available at the public distribution table. All  
17 prepared testimony should be given to the Secretary. Please  
18 do not place testimony on the Public Distribution Table.

19 All witnesses must be sworn in by the Secretary  
20 before presenting testimony. I understand that parties are  
21 aware of the time allocations. Any questions regarding the  
22 time allocations should be given directly to the Secretary.  
23 Speakers are reminded not to refer in their remarks or  
24 answers to questions to business proprietary information.  
25 Please speak clearly into the microphones and state your



1 name for the record to the benefit of the court reporter.

2 If you will be submitting documents that contain  
3 information you wish classified as business confidential  
4 your request should comply with Commission Rule 201.6. Mr.  
5 Secretary, are there any preliminary matters?

6 MR. BISHOP: No, Mr. Chairman.

7 CHAIRMAN JOHANSON: Very well. Will you please  
8 announce our first Congressional Witness.

9 MR. BISHOP: The Honorable Amy Klobuchar, United  
10 States Senator from Minnesota.

11 STATEMENT OF SENATOR AMY KLOBUCHAR

12 SENATOR KLOBUCHAR: Thank you Chairman Johanson,  
13 Chairman Williamson and Distinguished Commissioners, I'm  
14 grateful for the opportunity to appear before you again and  
15 to speak about something different this time and a very  
16 focused topic which is the economic impact of subsidized  
17 imports of quartz service products from China are having on  
18 my state and our country and the importance of supporting  
19 the Commerce Department's antidumping determination against  
20 Foreign Producers.

21 Dumping of steel products has significant  
22 economic implications for the state of Minnesota and this  
23 quartz issue is something that has a specific impact.  
24 Cambria, which is a great company in our state, opened a  
25 facility in Le Sueur, Minnesota in 2001 and is now the

1 nation's leading producer of quartz service products.

2 Cambria has invested over 400 million into  
3 building its business and now employs over 2000 workers  
4 throughout North America including over 1000 Minnesotans. I  
5 understand that some people were able to go from the  
6 Commission and the Commerce Department to see the facility  
7 there. I understand it was a very glamorous trip in the  
8 winter when it was 0 degrees.

9 I thank you for visiting at that time and I also  
10 want to tell you that it is a very important employer in a  
11 rural part of our state. Sometimes people don't realize  
12 what that means for a small town, if they have a big  
13 employer like this and it creates jobs for everyone in the  
14 area which is why Senator Smith and Congressman Hegadorn  
15 from our delegation are also here as well.

16 The engineered quartz industry has always been  
17 international in scope. The quartz engineering process  
18 originated in Italy in the 1960's and Spanish and Israeli  
19 companies also produced significant quantities of engineered  
20 quartz.

21 As with many industries, the explosive growth in  
22 Chinese Production, underwritten by the Chinese government's  
23 industrial policies has drastically reshaped the market for  
24 engineered quartz. As the Commission knows, Chinese quartz  
25 producers' capacity exploded from 2015 to 2017. Chinese

1 quartz production nearly doubled increasing 92 percent  
2 during that time.

3 This led almost immediately to a flood of imports  
4 into the U.S. and U.S. Imports of quartz products from China  
5 nearly tripled from 2015 to 2017. As a result Chinese  
6 Imports went from roughly one-third of all quartz imports  
7 into the U.S. to one half.

8 If this explosive growth was the result of simple  
9 market-based expansion in an exports at fair-market value I  
10 would not be appearing in front of you today but as a former  
11 prosecutor I believe in evidence and we have ample evidence  
12 here that this is wrong.

13 The short term consumer benefits of low-input  
14 prices are obvious and Minnesota based quartz fabricators  
15 have responded to the sudden change in the market conditions  
16 by expanding operations, hiring workers and making quality  
17 quartz service products available to a greater share of the  
18 American Public.

19 Unfortunately, the record demonstrates that the  
20 explosive growth in Chinese quartz production and export has  
21 been marked by unfair trade practices. The Department of  
22 Commerce's investigation has confirmed that the Chinese  
23 exports received unfair subsidies of 34 percent with two  
24 Chinese factories receiving subsidies of 178 percent.

25 I'm sure there's a lot of businesses in America

1       that if they can get that kind of subsidy that'd be pretty  
2       good but that's not what we have here because we have a  
3       capitalist system and we also have fair competition. China  
4       not only subsidized its exports allowing the product to be  
5       sold below cost but also instituted a tariff on quartz  
6       imports into China.

7               The Chinese government also supplied quartz  
8       producers with raw materials for the quartz and provided  
9       valuable tax and utility price breaks, cheap loans and  
10      grants intended to grow the Chinese industry artificially.  
11      This unfair subsidization has created a glut of quartz  
12      surface products pushed out onto the world market. These  
13      imports are causing the domestic quartz industry to lose  
14      sales and market share.

15             So that's a lot of facts and a lot of evidence  
16      but the real truth is that it hurts workers in the U.S. Our  
17      workers have proven that they can compete with anybody on  
18      the world's playing field but not if it's tilted.  
19      Unfortunately the fairness that we would expect is being  
20      compromised by subsidized imports that are putting their  
21      jobs in jeopardy.

22             Now that the Commerce Department's investigation  
23      is complete it is time to impose duties to offset the  
24      significant amount of subsidies that have benefitted Chinese  
25      exporters to the detriment of U.S. companies and workers,

1 many of whom are my constituents. It is critical that our  
2 trade laws are adequately enforced on behalf of American  
3 companies and workers.

4 For that reason, I strongly urge you to make an  
5 affirmative determination in this case and support the  
6 Commerce Department's final determination. Thank you very  
7 much for your time. Thank you.

8 CHAIRMAN JOHANSON: Thank you, Senator Klobuchar.  
9 Do any of the Commissioners have questions for the Senator?  
10 No Commissioners do. We appreciate you being here today.

11 SENATOR KLOBUCHAR: Thank you very much.

12 MR. BISHOP: Our next Congressional Witness is  
13 the Honorable Tina Smith, United States Senator from  
14 Minnesota.

15 STATEMENT OF SENATOR TINA SMITH

16 SENATOR SMITH: Good morning. Chairman Johanson,  
17 and Commissioners Williamson, Broadbent and Schmidtlein and  
18 Kearns, I am honored to be with you today and thank you for  
19 the opportunity to testify about an unfairly imported  
20 product that is putting potentially hundreds of Minnesota  
21 jobs at risk.

22 Now I believe that on a level global playing  
23 field U.S. companies can out-innovate and out-compete anyone  
24 in the world but too often Chinese companies, often with  
25 government backing are violating International Trade Rules

1 and flooding U.S. Markets with dumped or subsidized products  
2 and that puts U.S. jobs and entire U.S. Industries at risk.

3 I'm here today to tell you about why this matters  
4 to a small town, the small town of Le Sueur, Minnesota and  
5 why it's so important for the Commission to take action.  
6 Cambria, based in Le Sueur, Minnesota is the nation's  
7 leading producer of quartz surface products; countertops,  
8 backsplashes, tabletops and similar items.

9 The community of Le Sueur is a small Minnesota  
10 town with a population of about 4000 people, a little over,  
11 meaning that much of the fortune of the town and the  
12 surrounding area depends on Cambria's success or failure.  
13 Now I have had the opportunity to go to the Cambria  
14 fabricating facility and can speak firsthand, from  
15 firsthand experience about the quality and the innovation  
16 and the craftsmanship of Cambria products. I know that many  
17 of you, if not all of you have had a chance to see the  
18 facility as well.

19 Over the years, Cambria which is still a  
20 family-owned company, has invested over 400 million dollars  
21 in building this company and today employs over a thousand  
22 residents of Minnesota, my constituents. These are  
23 good-paying jobs and employees also have advancement  
24 opportunities within the company.

25 Cambria is committed to the education and the

1 training of its employees. For instance, they have onsite  
2 classrooms at their Le Sueur plant to provide employees  
3 workforce enrichment and advancement including English  
4 language classes. In addition, since their founding Cambria  
5 has made philanthropy a key focus of the company.

6 Cambria's giving, which dates back to the 1940's  
7 has touched a wide range of communities but they've taken  
8 particular focus on improving the quality of life for kids  
9 and teenagers with juvenile arthritis. Through the Cambria  
10 Foundation they have supported 324,000 children and adults  
11 with disabilities, primarily through a summer camp program.

12 The week-long summer camp allows children and  
13 teenagers with juvenile arthritis the opportunity to play  
14 and get to know one another and to learn new talents, to  
15 improve their confidence and to explore strategies to manage  
16 their conditions. These camps are held every year in Maple  
17 Lake, Minnesota.

18 Now unfortunately, these programs to say nothing  
19 of the hundreds of jobs, are at risk if dumped and  
20 subsidized Chinese quartz products are allowed to continue  
21 flooding the market. From 2015 to 2018, imports of Chinese  
22 made quartz surface products increased by nearly 400  
23 percent.

24 These imports priced at far below fair value have  
25 made it more difficult for Cambria to maintain its

1 leadership position in the industry and as a result Cambria  
2 has been forced to reconsider expansion plans and even to  
3 contemplate layoffs. However, since preliminary duties  
4 were imposed just last year Cambria has been able to start  
5 taking steps to expand its production again and to hire more  
6 workers.

7 Providing an affirmative final injury decision  
8 will be the next key step to allowing this American company  
9 to get back on a level playing field and to allow its  
10 employees and the whole community of Le Sueur and the  
11 surrounding areas the opportunity to grow.

12 I want to thank you again for this opportunity to  
13 testify.

14 CHAIRMAN JOHANSON: Thank you, Senator Smith. Do  
15 any Commissioners have questions for the Senator? No  
16 Commissioners do. We appreciate you being here today,  
17 Senator Smith.

18 SENATOR SMITH: Thank you very much.

19 MR. BISHOP: Our final Congressional appearance  
20 this morning is the Honorable Jim Hagedorn, United States  
21 Representative with the First District of Minnesota.

22 STATEMENT OF REPRESENTATIVE JIM HAGEDORN

23 REPRESENTATIVE HAGEDORN: Good morning, Chairman  
24 Johanson and Members of the Commission. It's a pleasure to  
25 be here. Thank you for the opportunity.



1           The testimony that we have today is about a  
2       constituent from my district and the very survival of an  
3       American industry. I happen to represent Minnesota's First  
4       District and I wanted to thank you for the work that you're  
5       doing on behalf of American companies and workers who seek  
6       relief from unfair trade practices.

7           I'd like to first associate myself with the  
8       remarks of Senator Klobuchar and Senator Smith. I believe  
9       that they speak on behalf of the industry and on behalf of  
10      the people of Minnesota and I'd like to talk just a little  
11      bit more personally about our district and how this case  
12      affects the people of the First District of Minnesota.

13          Our District expands from South Dakota to  
14      Wisconsin along the Iowa border. Agribusinesses coupled  
15      with innovative and entrepreneurial businesses and  
16      world-acclaimed health care from the Mayo Clinic all play  
17      important roles in our global economy and add to the quality  
18      of life of our constituents.

19          This morning I'm pleased to appear in support of  
20      one of the family-owned businesses in our district, Cambria  
21      Company, LLC of Le Sueur, Minnesota and their thousands of  
22      employees that seek relief from Chinese dumping of quartz  
23      surface products in our domestic market.

24          During a recent conversation with the company's  
25      president I learned how these unfair trading imports have

1       impacted hardworking Americans. He explained how the  
2       Chinese Imports have taken a greater share of the U.S.  
3       Market, further eroding their business and resulting in a  
4       reduction of good, high wage jobs at their facility in my  
5       district.

6               As he explained, the company was making a good  
7       deal of progress until 2015 when they discovered imports at  
8       widely reduced prices and they were entering from China.  
9       Such a reduction of prices is not feasible in this industry.  
10       As a result, from 2015 to 2018 Chinese Imports totaled 21  
11       million in square feet and jumped to over 83 million square  
12       feet. After much careful thought and considering all of the  
13       options available the company decided to use the trade tools  
14       available and file antidumping and countervailing duty cases  
15       in April of 2018 to help seek relief.

16              Since that time, the Commerce Department has  
17       issued preliminary findings that resulted in countervailing  
18       duty rates in the range of 34 to 178 percent and antidumping  
19       findings in the range of 242 to 341 percent. I support open  
20       and fair trade and I also agree that trade is a two-way  
21       street in which we must ensure that our global trading  
22       partners are adhering to global trade rules. It certainly  
23       does not appear that Chinese quartz producers adhere to  
24       these rules. Rather, they choose to pursue channels that  
25       threaten U.S. companies and U.S. jobs.

1 Cambria Company is another fine example of  
2 American business at its best. The company was founded in  
3 2000 and began operations in 2001 and quickly established  
4 itself as a leader in the domestic production of quartz  
5 surface products. Today, Cambria quartz is widely  
6 recognized in design community and I'm honored to have such  
7 an industry leader call Le Sueur, Minnesota home.

8 I also wanted to emphasize that the company is  
9 not only a leader in the industry but is also a leader in  
10 our community. In addition to the employee enrichment  
11 programs at its facility, the company supports a wide range  
12 of community initiatives that support programs throughout  
13 the region and the counties of Le Sueur and Sibley,  
14 Minnesota specifically.

15 During its two decades in business the company  
16 has continued to make millions of dollars in investments  
17 that have benefitted the local economy. Cambria and its  
18 employees are great examples of what the country does best:  
19 American ingenuity, innovation, hard work that result in  
20 quality products for consumers here and abroad.

21 I would like to ask you that at this point you  
22 consider the case, give it a fair merit and that you side on  
23 the side of the American workers and the company of Cambria  
24 and for all the reasons I have laid out, I appreciate your  
25 time and consideration into this matter. Thank you.

1                   CHAIRMAN JOHANSON: Thank you, Representative  
2 Hagedorn. Do any Commissioners have any questions for  
3 representative Hagedorn? No Commissioners do, we appreciate  
4 you being here today. Thank you.

5                   REPRESENTATIVE HAGEDORN: Thank you.

6                   MR. BISHOP: Mr. Chairman that concludes our  
7 congressional testimony this morning.

8                   We will now move onto opening remarks. Opening  
9 remarks on behalf of Petitioners will be given by Luke A.  
10 Meisner of Schagrin Associates. Mr. Meisner, you have five  
11 minutes.

12                  CHAIRMAN JOHANSON: You may begin.

13                  OPENING STATEMENT OF LUKE MEISNER

14                  MR. MEISNER: Good morning, Chairman Johanson and  
15 Members of the Commission. My name is Luke Meisner from  
16 Schagrin Associates and I represent the Petitioner Cambria  
17 Company LLC.

18                  AS you will hear from our witnesses today,  
19 Granite was king in the countertop world a decade ago. Back  
20 then, many fabricators did not cut quartz. Then Cambria and  
21 other market-based competitors came along. They invested in  
22 consumer awareness, trained fabricators and created  
23 beautiful new quartz designs. They made quartz an exciting  
24 product and through all these efforts demand for quartz  
25 soared and now quartz is king.

1           With this growing demand, Cambria was initially  
2     able to expand its production facility from two lines to  
3     five lines and add over 1000 good paying manufacturing jobs  
4     in the heart of Minnesota and 1000 jobs in other areas of  
5     its company throughout the United States.

6           Other U.S. Manufacturers also decided to enter  
7     the U.S. Market along the way. Now as with too many other  
8     cases that the Commission has seen, China took notice of the  
9     success of the U.S. quartz industry. The government of  
10    China showered subsidies on Chinese quartz producers and  
11    they rapidly mushroomed out of control.

12          These Chinese Producers set their sights on the  
13    U.S. Market and began dumping massive volumes of quartz  
14    products into our country. We are here today to seek relief  
15    from these imports. All of the statutory factors considered  
16    by the Commission support the granting of relief to the  
17    Domestic Industry.

18          On volume over the last 30 years Chinese Imports  
19    nearly tripled from 23 million square feet in 2015 to 66  
20    million square feet in 2017 and surged again in 2018. In  
21    the process, Chinese Imports took away sales, market share  
22    and revenue from the Domestic Industry. On price, the  
23    record shows Chinese quartz undersold domestic quartz in  
24    every quarterly pricing comparison with high margins of  
25    underselling.

1                   Faced with this underselling and the loss of  
2                   market share, Cambria has fought to keep an edge by  
3                   investing in innovation, marketing and new distribution  
4                   centers. What you will hear from numerous witnesses today  
5                   that while Cambria's brand, which is a big issue in this  
6                   case, may lead consumers to quartz instead of granite and  
7                   other surfaces, once they are through the door consumers  
8                   ultimately leave with lower priced Chinese knockoffs rather  
9                   than the domestic quartz produced by Cambria and the other  
10                  domestic producers.

11                  These trends have had a profound negative impact  
12                  on the Domestic Industry. As demand skyrocketed, the  
13                  Domestic Industry should have seen its production, sales and  
14                  profits skyrocket too but as you will hear today, instead of  
15                  seeing growth the Domestic Industry saw production and sales  
16                  go flat. Instead of hiring more workers, the industry had  
17                  to let workers go. Instead of filling their plant's  
18                  capacity the Domestic Industry curtailed production.  
19                  Instead of investing in new production lines, it cancelled  
20                  existing plans for new production lines.

21                  This negative impact has not been limited to  
22                  Cambria, the leading producer. Just last week for example,  
23                  Caesarstone announced that it was laying off over 100  
24                  employees in its company and shutting down half of its U.S.  
25                  Plant due to declining U.S. revenue.

1           Chinese Producers also threaten additional injury  
2     absent relief. They have massing unused capacity and  
3     receive large export subsidies that encourage them to target  
4     the United States. Left unchecked, the negative impact  
5     already felt by the Domestic Industry will worsen.

6           Finally, you will hear today how so much Chinese  
7     quartz was imported into the United States after we filed  
8     Petitions on behalf of Cambria, that the market is still  
9     working through a massive inventory buildup. Importers will  
10    make these critical circumstances even worse when they  
11    import more Chinese quartz during a month-long gap in relief  
12    that may happen between the expiration of the preliminary  
13    duties and any final duties that are imposed in this case.

14           Thus, even if the Commission votes affirmative on  
15    injury, the Domestic Industry will not feel any relief for a  
16    long, long time unless the Commission also finds the  
17    critical circumstances exist.

18           In conclusion, we ask the Commission to grant  
19    relief from any further injury so that the Domestic Industry  
20    can result competing on a level playing field and reap the  
21    rewards of its investments, hard work and innovation. Thank  
22    you.

23           MR. BISHOP: Thank you, Mr. Meisner. Opening  
24    remarks on behalf of Respondents will be given by Jonathan  
25    T. Stoel of Hogan Lovells, U.S. LLP.

1                   Mr. Stoel, you have five minutes.

2                   OPENING STATEMENT OF JONATHAN T. STOEL

3                   MR. STOEL: Good morning, Chairman Johanson,  
4                   Commissioners, and staff. It is my privilege this morning  
5                   to open today's hearing on behalf of Respondents.

6                   I want to start by thanking the Commission for  
7                   all the time and effort invested in these important  
8                   investigations. This is a unique case for four key reasons:

9                   First, you will hear this morning from luxury  
10                  quartz producer Cambria and its witness that all this case  
11                  is about China, but that is demonstrably false. The fact is  
12                  that Cambria has unilaterally dragged the Commission into an  
13                  old-fashioned food fight among the American companies that  
14                  are driving the quartz industry to record new heights.  
15                  Cambria is unilaterally prosecuting this case, and it is  
16                  also the sole petitioner in a new case filed just yesterday  
17                  targeting imports from India and Turkey.

18                  Cambria is both a quartz slab producer and a  
19                  quartz fabricator. This explains why the Petition's scope  
20                  and the domestic like product comprise quartz slabs and  
21                  fabricated quartz products.

22                  You will hear this afternoon from another major  
23                  U.S. quartz slab producer, LG Hausys, which believes this  
24                  case never should have been started, and which has performed  
25                  extremely well during the Period of Investigation.



1           LG Hausys will explain how Petitioner has  
2           inaccurately portrayed the dynamics of both the quartz  
3           industry and the quartz market. You will also hear from six  
4           fabricator manufacturers of quartz who also oppose the  
5           Petition. These fabricators, spread across different  
6           regions of the country, are testifying today despite  
7           Petitioner's many efforts to disenfranchise them.

8           These American companies have been repeatedly  
9           disparaged as, quote, "individuals in garages with handsaws"  
10          unquote. Notwithstanding that they employ thousands of  
11          American manufacturing workers and account for millions of  
12          dollars of investment in their facilities.

13          In fact, your staff visited a sophisticated,  
14          high-tech fabricator. See the picture on Slide No. 2 in  
15          your handout. I urge the Commission to consider fabricators  
16          to be part of the domestic industry. They are the ones in  
17          the red shirts back there. You should not let the big guy  
18          win to the detriment of small and medium sized American  
19          companies and their workers.

20          Second, both Petitioner and Respondents agree  
21          that this is an industry that is skyrocketing, as quartz is  
22          overtaking granite as the leading service product in  
23          American homes and offices.

24          This is important not only because Americans are  
25          eagerly buying up quartz as fashionable "must haves," but

1       also because this is a vibrant and successful industry in  
2       which everyone has been a winner.

3               U.S. apparent consumption of quartz has exploded  
4       over the Commission's POI, contributing to increased  
5       domestic capacity, production, sales, shipments, and  
6       profits. More importantly, two U.S. slab producers, Caesar  
7       Stone and LG, have expanded their production operations over  
8       the POI.

9               A third producer, DalTile, is actively hiring  
10      additional workers and ramping up production in its new  
11      Dixon, Tennessee, facility.

12  
13              Third, quartz is a design product that is very  
14      different than the commodities typically seen in Commission  
15      investigations. The quartz industry is segmented between  
16      the high-end luxury market and the mass market, which  
17      comprises both multi-family apartment buildings and major  
18      commercial projects.

19              Cambria is the dominant player in the luxury  
20      segment. Its brand is, quote, "the art of stone" unquote,  
21      and it spent heavily on a full feature film called "The  
22      Legend of Cambria." On the other hand, the vast majority  
23      of imports from China are neither branded nor advertised,  
24      and they served the growth in the mass market segment over  
25      the POI.

1 Domestic slab producers have intentionally  
2 decided not to participate in the mass market. In fact, the  
3 head of Cambria's Lexus Partners Program has explained that,  
4 quote, "Cambria will not be offering any lower priced  
5 selections at builder programs" unquote.

6 Caesarstone CEO explained just last week that its  
7 product does not compete with Chinese imports neck to neck,  
8 because those imports, quote, "serve the low end of the  
9 market and we are playing in the medium and the premium end"  
10 unquote.

11 LG, which opposes the Petitions and reports that  
12 quote, "it is not possible to find a connection between the  
13 volume and pricing of any Chinese quartz and the volume and  
14 pricing of our U.S. produced quartz."

15 In other words, the entire U.S. slab industry  
16 agrees that there is attenuated competition between U.S.  
17 manufactured quartz and imports from China.

18 Finally, the Commission is confronted with a  
19 record demonstrating that subject imports have not caused  
20 material injury. Domestic industry production, sales,  
21 shipments, profits, all increased over the POI.

22 Furthermore, domestic producers, and especially  
23 my friends at Cambria, have been able to raise their prices  
24 over the POI. All of these positive developments have  
25 occurred as subject import volumes increased and their

1 prices declined.

2 There is, thus, an absence of correlation between  
3 subject imports and the condition of the domestic industry.

4 I urge you to focus on these facts as Petitioners  
5 testify this morning. Thank you, very much.

6 MR. BISHOP: Thank you, Mr. Stoel.

7 Would the panel in support of the Imposition of  
8 the Antidumping and Countervailing Duty Orders please come  
9 forward and be seated.

10 Mr. Chairman, all witnesses on this panel have  
11 been sworn in. This panel has 60 minutes for their direct  
12 testimony.

13 CHAIRMAN JOHANSON: You may proceed whenever  
14 you'd like.

15 STATEMENT OF ELIZABETH DRAKE

16 MS. DRAKE: Thank you. Good morning, Chairman  
17 Johanson and members of the Commission. My name is  
18 Elizabeth Drake of Schagrin Associates, here today on behalf  
19 of the Petitioner Cambria Company LLC.

20 We would like to begin with a brief slide  
21 presentation, and then move on to our witness testimony.  
22 First I do want to take a minute to thank the Commission  
23 staff for all of their work on this investigation. There  
24 are obviously a lot of parties, a lot of issues, and they've  
25 done an excellent job, and we believe the Prehearing Staff

1 Report clearly supports an affirmative determination.

2 Turning to the issue of domestic like product and  
3 the domestic industry, there's really no dispute anymore  
4 over the domestic like product. There's one that's  
5 coextensive with the scope, and the Commission should  
6 continue to find in its preliminary determination that  
7 fabricators do not engage in significant--sufficient  
8 production-related activities to be included in the  
9 industry.

10 There's much lower levels of capital investment,  
11 expertise, value-added, employment, and parts sourced in the  
12 U.S. in the fabrication piece of the quartz production, and  
13 in fact these fabricators mainly produce granite, marble,  
14 and other out-of-scope products which can be gleaned from  
15 just the witness list that we have today, where many of  
16 those in opposition to relief have in their names the words  
17 "marble," "granite," or "stone," but very few "quartz"  
18 because quartz is just a recent addition to their product  
19 lineup.

20 Finally, the Commission should exclude any  
21 related parties as the facts warrant.

22 An important condition of competition in this  
23 investigation is a high degree of substitutability between  
24 Chinese imports and the domestic like product, which makes  
25 price a very important factor in purchasing decisions.

1                 Sixty percent of purchasers report that domestic  
2                 and Chinese quartz are always or frequently interchangeable.

3                 Most rate domestic and Chinese quartz as comparable on  
4                 every single purchasing factor, except for price because of  
5                 lower prices in Chinese quartz. And, excuse me, price is  
6                 the second-most frequently cited top three purchasing  
7                 factors.

8                 In fact, every single purchaser responded that  
9                 price was either very important or somewhat important, with  
10                more than 60 percent reporting it was very important.

11                Respondents have sought to distract from this  
12                clear record of high substitutability and the importance of  
13                price by claiming there's attenuated competition. There's  
14                many different claims out there about what might be  
15                attenuating competition, whether it's colors, designs,  
16                luxury, mass market, et cetera, but the record shows that  
17                these claims simply have no merit.

18                On the question of colors and design, a full 75  
19                percent of purchasers report that U.S. and Chinese quartz  
20                are either comparable with respect to colors and designs, or  
21                that the U.S. product is superior. So no support for  
22                Respondents' claims there.

23                In addition, the claim that the domestic industry  
24                does not offer marble is not supported by the record. The  
25                Commission Staff Report shows that marble-like designs

1 account for the largest share of both U.S. slab shipments  
2 and imports from China. Again, direct competition.

3 And in fact Chinese producers advertise that they  
4 provide hot and popular colors like the ones that Cambria  
5 does, specifically using Cambria's name, yet at lower  
6 prices. Again, direct competition.

7 This can be seen on domestic producers and  
8 importers' website. On the left (indicating) is a picture  
9 from Cambria's website of a white marble design beautiful  
10 kitchen, and on the right is a picture from the very front  
11 page of MSI's website, one of the large importers that's  
12 here to oppose relief today. Again, a beautiful white  
13 marble-like kitchen, even down to the stove and the  
14 cupboards, looking pretty similar. Direct, not attenuated,  
15 competition.

16 This is also apparent in the kitchen and bath  
17 dealers where consumers go to purchase the product. You  
18 will see that the Cambria sample stands are literally right  
19 next to sample stands from other brands, including China.  
20 The picture on the right (indicating), the stand next to  
21 Cambria, is Q-Stone. That is MSI's Chinese product being  
22 offered to consumers at the point of purchase, literally  
23 right next to each other, with the same colors, the same  
24 designs; the only difference is price, and that is what has  
25 injured the domestic industry.

1           On to the issue of brand, which is supposedly  
2           also attenuated competition. Again, no support in the  
3           Commission's Staff Report: 28 purchasers reported that price  
4           was one of their top purchasing factors; 0 reported that  
5           brand is one of their top purchasing factors.

6           In addition, a majority of purchasers reported  
7           that they never, or only sometimes, decide what quartz to  
8           buy based on the producer or the brand. And when you get to  
9           those customers, the ones who are looking at those sample  
10          stands side by side, over 90 percent of purchasers report  
11          that their own customers never, or only sometimes, decide  
12          what quartz to purchase based on the producer. In other  
13          words, based on the brand.

14          Another unfounded claim is that Cambria or the  
15          domestic industry has no interest in commercial projects, or  
16          in the mass market. Here are Cambria commercial projects:  
17          Embassy Suites, Doubletree Inn, Beautiful Kitchen Countertop  
18          in a 130-unit condominium.

19          The commercial segment is so important to Cambria  
20          that they have 50 out of 120 of their sales people devoted  
21          to the commercial segment. They have not abandoned it.  
22          They want to play in it. They pursue it aggressively, and  
23          it is underselling by Chinese imports that has denied them  
24          that opportunity.

25          So again, direct competition, not attenuated.



1       The facts we believe are very clear on all of those issues.

2               So turning to the factors that the Commission  
3       should consider, with volume we clearly have a very large  
4       increase in import volume: 183 percent from '15 to '17, and  
5       another 74 percent in the interim period. Even though  
6       demand was surging during this period, this even more rapid  
7       increase in imports allowed Chinese imports to take market  
8       share from the domestic industry.

9               Imports also have had significant adverse price  
10       effects. The Staff Report shows underselling in 100 percent  
11       of quarterly comparisons at an average margin of nearly 50  
12       percent. Respondents' claims that this margin represents  
13       some kind of brand premium just doesn't hold up.

14              Why would the margins of underselling vary so  
15       widely from quarter to quarter, or product to product? And  
16       why would they increase over time for a number of their  
17       products if this was merely a reflection of some kind of  
18       consistent brand premium? Again, the facts speak for  
19       themselves and underselling is what has permitted the  
20       Chinese imports to increase so rapidly and take market  
21       share.

22              There is also evidence of price depression and  
23       price suppression by reason of Chinese imports. Import  
24       AUVs--this is based on public data--for Chinese imports  
25       declined steadily throughout the entire Period of

1 Investigation despite a massive increase in demand.

2 Import prices declined for all 12 pricing  
3 products, dragging down prices, domestic prices for 5 of  
4 these products. Again, it doesn't need to be every single  
5 product, but in a market where demand is growing as rapidly  
6 as it had, you would expect all low prices to be rising  
7 rapidly. Instead, they were falling.

8 In addition, you have confirmed instances of lost  
9 sales, with purchasers saying that they bought Chinese  
10 instead of domestic quartz primarily because of lower  
11 prices, accounting for nearly 2.7 million square feet of  
12 lost sales over the Period of Investigation.

13 This surge in low-priced imports has had a  
14 negative impact on the domestic industry. Though the  
15 industry data is confidential, just to summarize broad  
16 trends, from 2015 to 2017, as imports increased and took  
17 market share, the domestic industry lost market share, the  
18 domestic industry's domestic shipment unit values fell even  
19 as their unit Cost of Goods Sold were rising, leading to a  
20 cost-to-sales ratio that was also increasing, causing a  
21 cost-price squeeze that lowered operating income and net  
22 income, as well as operating income and net income margins  
23 and reducing return on assets, all strong indicators of  
24 injury.

25 In the interim period, as imports continued to

1 surge in the U.S. market, a number of industry indicators  
2 continued to lag. The increase in demand and the trends in  
3 profitability, we believe are largely attributable to  
4 confidential, single-company data that's covered in our  
5 prehearing brief. And those trends have now ended, as can  
6 be seen.

7 Finally, I want to touch on the very important  
8 issue of critical circumstances in this case. In the  
9 six-month comparison periods that the Commission normally  
10 looks at, the volume of imports before the petition rose by  
11 nearly 60% compared to the volume of imports after the  
12 petition, as can be seen in this slide. But these imports  
13 weren't drawn in by rising demand or rising sales. Instead,  
14 they were stockpiled in inventory.

15 The staff report shows that there was nearly  
16 thirty million square feet of Chinese inventory sitting in  
17 the U.S. market as of September, 2018. This is a huge  
18 amount of inventory. That represents about 600,000 slabs or  
19 enough to wipe out two years of Cambria's own production.

20 And there will be an additional gap period due to  
21 the government shutdown between which Commerce's preliminary  
22 duties must end, and the final injury determination here,  
23 and importers are already indicating to the market that they  
24 have every intention to once again inundate the U.S. market  
25 with unfairly traded quartz, that they will not have any

1 duty liability for, in order to take advantage of that  
2 government shutdown created gap period. For all these  
3 reasons, we respectfully request that the Commission make  
4 not only an affirmative material injury determination, but  
5 also an affirmative critical circumstances determination.  
6 Thank you.

7 Now we will move to our witnesses. The first  
8 witness will be Mr. Martin Davis, the President and CEO of  
9 Cambria Company, LLC. Thank you.

10 STATEMENT OF MARTIN DAVIS

11 MR. DAVIS: Good morning, members of the  
12 Commission. My name is Marty Davis and I'm the president  
13 and chief executive officer of Cambria. I have led our  
14 company since its inception in 2000 when my family decided  
15 to enter the quartz surface manufacturing business after  
16 being presented with the opportunity to buy production  
17 equipment for quartz surface production.

18 There were just two employees when the company  
19 first started, myself and our CFO, Jim Ward. Today we have  
20 nearly 2,000 employees. We opened our production facilities  
21 in the Le Sueur, Minnesota in January 1st of 2001. We  
22 continue to take great pride in being a privately held,  
23 family-owned American-based producer of natural quartz  
24 surfaces.

25 We are appreciative that the ITC Commissioners

1 and staff were able to visit our factory, see the magnitude  
2 of it and the pride we hold in it, as well as the many  
3 excellent employees that make us a competitive company. We,  
4 too, appreciate you coming to Minnesota on a cold Winter  
5 day.

6 After a good period of success, rapid growth and  
7 ultimately, strong profitability, Cambria's situation  
8 changed dramatically for the worst when unfairly-traded  
9 Chinese imports surged into the U.S. markets. During 2015  
10 through 2017, as mentioned, Chinese imports nearly tripled  
11 from twenty-three million square feet in 2015 to more than  
12 sixty-five million square feet in 2017. In 2018, in spite  
13 of our filing of this case in April, Chinese imports  
14 continued to surge to eighty-three million square feet.

15 As entrepreneurs and again, as has been  
16 mentioned, that have invested over \$400 million in plant and  
17 equipment to help create an industry in the United States,  
18 and employing upwards of 2,000 Americans with good-paying  
19 jobs, many in rural parts of Minnesota and throughout the  
20 country, we've been shocked at the egregious activities of  
21 the reseller importers accelerating their imports during  
22 these proceedings. They have been bringing in more and more  
23 illegally dumped and subsidized Chinese quartz during this  
24 period all in a reaction to our filing of these petitions.

25 Based on U.S. import data, Chinese imports surged

1 from thirty-five million square feet in the six months prior  
2 to our petitions, to fifty-seven million square feet in the  
3 six months following our petition. This massive increase  
4 simply timed to beat Commerce's preliminary duties.

5 In addition, we've had extensive communication  
6 from the marketplace that the reseller importers dismissed  
7 the notion of ever having to pay retroactive duties. Much  
8 of it we learned came from their lawyers telling them that  
9 the ITC never makes affirmative determinations on critical  
10 circumstance cases. These import surges and the massive  
11 inventory build-up very much further disrupted our business  
12 in 2018 and will beyond.

13 And we now hear directly that the importers have  
14 a no-duty window period in which they can rush in even more  
15 product because of the WTO rules and delays caused by the  
16 recent government shutdown. This, to me, indicates the  
17 level of advantage the reseller gains with this dumped  
18 material, as well as their, frankly, complete disregard for  
19 the U.S. trade law and the integrity of the U.S. markets.

20 Cambria has most certainly experienced a great  
21 loss that we cannot repair, never will be able to repair in  
22 these past three to four years because of the opportunities  
23 that we've lost due to these circumstances. We lost 200  
24 employees in December of 2017. We had hoped to rehire them  
25 after we got some relief, but as of yet, we've not been able

1 to. We do indeed have plans still sitting on our desks for  
2 another \$150 million in investments in plant and equipment.  
3 And in the meantime, we've already invested heavily in the  
4 design, the permitting, the land acquisition work and the  
5 like for this project. Our laid-off employees have lost  
6 their wages permanently, and we have certainly lost, as  
7 importantly as anything, the tremendous opportunity that we  
8 had earned, to continue to capture more share in the very  
9 market that we had helped energize. And to further invest  
10 further in growing that market.

11 Finally, on this topic of critical circumstances,  
12 which I think is so relevant to what we're dealing with in  
13 the future, we just filed new cases against India and  
14 Turkey. What will prevent these importers' resellers who  
15 have pivoted over to Indian supply in real time, from  
16 exploiting the system again with imports from India and  
17 Turkey, if they don't have to deal with, or concern  
18 themselves with the critical circumstances and pay the price  
19 as a result of the surge in 2018 from China?

20 The inventory that they dumped into the U.S.  
21 after our filings, amounts to approximately 600,000 slabs,  
22 two years of our production, if you just run the math. If  
23 this is allowed to flood the market at Chinese pricing,  
24 rather than a fair market price, through the payment of  
25 critical circumstance duties, it will have a long-lasting

1 negative effect on our market. Almost like a second  
2 dumping injury after the preliminary determination. It  
3 could take two years plus or more than that for the market  
4 to fully clear through this illegally-traded material.

5 All material dumped after our filings usurp the  
6 will off the fair trade laws. We would prefer if the  
7 opposition was correct when they said Cambria has not, or  
8 will never be injured by Chinese imports because of  
9 Cambria's strong brand position. Believe, we wish that were  
10 true. Unfortunately, the market has mostly been flattened  
11 out with the dumped Chinese product.

12 Now, when consumers enter a showroom, they are  
13 bombarded by multiple Chinese product options on display.  
14 These options generally sit right next to our products and  
15 our offerings throughout the country and it's very hard to  
16 distinguish any differences except for that of price.

17 As a result, Chinese imports have taken sales and  
18 market share directly away from Cambria and our fabricator  
19 partners throughout the United States. They've also taken  
20 market share directly from our domestic and foreign  
21 competitors who in turn helped us develop this market, with  
22 legitimate open, market-based economics in their own  
23 production facilities and supplies.

24 As a result of all this, Cambria has become more  
25 reliant on making sales through our own distribution centers



1       instead of allied partner distributors, as we had previously  
2       participated with. We've had to make major new investments  
3       outside of any marketing or product development innovation,  
4       just to build delivery infrastructures. As many of our  
5       partners understandably had to abandon us for the cheaper  
6       Chinese supply. They simply cannot partner with us due to  
7       the new economics born of that Chinese supply. This reality  
8       has been forced upon them.

9               This expansion effort that we've undertaken has  
10       increased our operating costs substantially, as we are now  
11       building and staffing our own warehouses and maintaining  
12       additional inventory, instead of partnering with companies  
13       that made up our supply chain for many, many years  
14       throughout this country.

15              Let us be clear. Every sale of quartz surface  
16       products that involve the Chinese import product is a sale  
17       that Cambria can and should earn. Whether it is to a mass  
18       market in a commercial project space like high-rise condo  
19       developments, or as single-family countertop in a  
20       single-family home. It is indeed a sale we would've liked  
21       to have had the opportunity to earn.

22              This has been a very, very difficult situation  
23       for our company and our employees. As a privately-held,  
24       family-owned company, it gives us great pride over the years  
25       to be a part of offering many good-paying jobs in the

1 community of Le Sueur, the greater Southern Minnesota  
2 region, as well as the American workers throughout the  
3 United States. As mentioned, in recent years, we have  
4 indeed had to make the difficult decision to lay off some of  
5 our valued workers.

6 As I noted earlier, we were shocked at how  
7 quickly the Chinese could ramp up and distribute dumped  
8 quartz products in the months following our filing of these  
9 petitions. Now we again are even more shocked at the  
10 Chinese and their importer reseller partners are planning to  
11 do so again during this gap where the dumping duties again  
12 will expire before any relief is granted. This, as we know,  
13 is a result of the government shutdown.

14 Without your affirmative vote, the Chinese will  
15 surely continue in their mission to destroy the U.S.  
16 domestic manufacturing industry of quartz surfaces. Let me  
17 assure you that we at Cambria have no doubt about that. We  
18 are committed to the growth of our company in every form.  
19 We believe we can continue to grow in the market when there  
20 is fair trade on a level playing field with free, fair and  
21 open markets. This has been a tough case and a difficult  
22 time for Cambria and the domestic industry. As you saw in  
23 our prehearing brief, we've dealt with multiple boycotts  
24 against us from fabricators that are importers or allied  
25 closely with importers.

1                   We need your help to let this vibrant  
2                   entrepreneurial industry thrive in the United States. This,  
3                   for us, is not protectionism. We are free traders. This is  
4                   about ensuring fair trade to ensure free trade. We  
5                   respectfully ask for your affirmative injury and critical  
6                   circumstances determinations in this case. And we again  
7                   thank you very much for your time.

8                   MR. MEISNER: Thank you. Our next witness will  
9                   be Jim Ward, who is the CFO of Cambria.

10                                   STATEMENT OF JIM WARD

11                   MR. WARD: Good morning, Chairman Johanson and  
12                   members of the Commission. My name is Jim Ward. I am the  
13                   Chief Financial Officer for Cambria, and have served in that  
14                   role since the company started back in 2000. As a CFO, I am  
15                   responsible managing the company's finances, including  
16                   financing reporting and planning, overseeing our banking  
17                   relationships, management of our financial risks and  
18                   analysis of our financial trends and results.

19                   Let me first explain how Cambria goes to market  
20                   with our quartz slab products. Our primary market channels  
21                   are distributors and fabricators. We sell and ship the  
22                   product either from our plant or through our own  
23                   distribution centers to fabricators. Cambria has four  
24                   fabrication shops of its own in the U.S. and one in Canada.  
25                   As noted, we sell quartz surface products to independent

1 fabricators, some of whom are part of our Lexus partnership  
2 program, who serve exclusive and semi-exclusive market  
3 territories.

4 From the fabrication shops, there's numbers of  
5 ways that the quartz products reach the final end user in  
6 the form of a countertop, bar surface, wall or other forms.  
7 These include sales to contractors for large commercial  
8 projects, home builders, kitchen and bath designers, and  
9 retailers. Cambria products are sold through all these  
10 distribution channels. Let me now turn to discuss the  
11 Chinese imports in recent years.

12 When Cambria first entered the quartz surface  
13 industry in 2000, we were the only U.S. manufacturer of  
14 quartz surface products. Being the sole producer in the  
15 U.S., we worked with the U.S. government to establish a  
16 harmonized tariff schedule code so that we could monitor the  
17 imports from our foreign competitors.

18 Over the years, Cambria and its original  
19 competitors invested and grew the demand for quartz surface  
20 products, leading to two foreign competitors building quartz  
21 plants in the U.S., LG and Caesarstone, and more recently  
22 two U.S. companies, Daltile and US Quartz have added  
23 production capacity. We also saw increased competition in  
24 imports from other foreign suppliers.

25 This growth in our competitors' participation

1        were normal. But what we have seen from Chinese imports  
2        over the last three to five years is unlike anything we've  
3        ever witnessed. Chinese quartz imports averaged over  
4        700,000 square feet a month in '14. It grew to 1,750,000 in  
5        '15. 3.1 million square feet a month in '16. 5 million  
6        square feet a month in '17. Over 9 million square feet a  
7        month through September of '18. This is over 1,100%  
8        increase over that period of time.

9                I'm involved in negotiating contracts with our  
10       customers, and in recent past, a common theme has been how  
11       difficult it is for them to compete with the Chinese  
12       imported products because of the extremely low price at  
13       which these products are being sold. There's often a  
14       request of Cambria to write our customers with a loss-leader  
15       product to help them compete. This has definitely impacted  
16       our pricing.

17               Over the first fifteen years of our business,  
18       annually, Cambria was able to raise its prices. In my  
19       opinion, these price increases were more than justified by  
20       the growth of demand created in large part by Cambria's  
21       substantial investment in educating the consumer about  
22       quartz products. Our innovative designs, our capital  
23       investments in production and infrastructure to assure  
24       product availability.

25               In 2017, 2018, and to date, 2019, however, we

1 have not been able to increase our price due to the  
2 continuing surge in extremely low-priced Chinese imports.  
3 This was in spite of increased domestic costs such as  
4 healthcare, labor and freight. Unfairly traded Chinese  
5 imports have also had an impact in Cambria's operation and  
6 financial performance. Historically, our production and  
7 sales volume has grown every year by percentages ranging  
8 from 15 to 35%. We experienced the same rates of growth in  
9 2015 and 2016. 33% and 15%, respectively.

10 For 2017 and 2018 and the first quarter of 2019,  
11 we've had no growth in spite of the continued growth in the  
12 overall quartz market demand. We have the production  
13 capacity to serve it, but because of the flood of Chinese  
14 imports into the U.S. market, our numbers are flat.

15 As Marty just mentioned, midway through 2017, due  
16 to reduced orders, we began changing things, including  
17 operations of our plant. We had to cut line production from  
18 28 to 40% by going to four to five days a week instead of  
19 our usual seven days a week. As a result of this reduced  
20 production, we had to lay off over 200 employees, including  
21 160 production employees.

22 In addition, our bottom line has been negatively  
23 impacted by the reduction in our plant's operation. The  
24 equipment and facility used to produce quartz surface  
25 product require large capital investment, and therefore, a

1 large portion of our overhead is fixed. In fact, we've made  
2 over \$400 million in capital investments in the production  
3 facility in Le Sueur.

4 The reduction of two to three days, or up to 40%  
5 of our weekly production, means we have unabsorbed fixed  
6 manufacturing overhead that directly impacts our bottom line  
7 in a negative way. We thought we'd be able to rehire the  
8 employees and return to a seven-day-a-week operation after  
9 the duties were imposed. But the import surged and  
10 increased subsidized quartz inventories resulting from that  
11 surge, have prevented us from going back to seven days a  
12 week. This is evident in the fact that Cambria sales have  
13 been flat when you compare the first quarter of 2018 to the  
14 first quarter, 2019, unlike in the past.

15 Chinese imports have also had a negative impact  
16 on our ability to make investments in our company. In 2016,  
17 based on our historical and recent sales trends, we  
18 reasonably anticipated that we would have enough sales  
19 growth to justify the addition to our production facility.  
20 As a result, we started the process of investigating adding  
21 two new production lines and other equipment. These  
22 investments would've involved well over \$150 million in  
23 capital investments.

24 It also would've resulted in Cambria, not only  
25 rehiring employees we lost, but also hiring over 200 new

1 employees. By the way, our average starting pay for  
2 entry-level labor in Le Sueur, Minnesota is about \$40,000 a  
3 year.

4 In early 2017, as the Chinese imports continued  
5 to pour into the U.S., we reversed course, cancelled our  
6 plans to invest in the two new production lines, and as  
7 mentioned earlier, we had to let go many production  
8 employees. It no longer made sense to make such a large  
9 investment to expand the production capacity when Chinese  
10 imports were denying us the opportunity to participate in  
11 the growth of the quartz market in the U.S. I respectfully  
12 ask that you provide Cambria, and the other domestic  
13 producers of quartz surface products in the United States,  
14 for this much-needed relief. Thank you.

15 MR. MEISNER: Thank you, Mr. Ward. Our next  
16 witness will be Brian Scoggin, the Executive Vice-President  
17 for Operations of Cambria.

18 STATEMENT OF BRIAN SCOGGIN

19 MR. SCOGGIN: Good morning, Chairman Johanson and  
20 members of the Commission. My name is Brian Scoggin and I'm  
21 the Executive Vice President of Operations at Cambria.

22 I have been with Cambria running our plant since  
23 2001. I am responsible for all operations at Cambria's  
24 production facilities, as well as its fabrication shops and  
25 distribution centers.



1           Our production facility in Le Sueur consists of  
2     five production lines and occupies over one million square  
3     feet. As you have seen, the equipment to manufacture quartz  
4     slabs is massive. To build the infrastructure to make  
5     quartz slabs we have invested over \$400 million in our  
6     plant. The equipment at the plant is highly complex an  
7     interconnected. As a result, we have an extensive team of  
8     process engineers, process controllers, specialists,  
9     mechanical and chemical engineers, and process management  
10    teams who ensure the proficient operation of our facility.  
11    There is no way one single employee, or even a handful of  
12    employees, can make these products on their own. It's a  
13    large team working together in tandem to make quartz slabs.

14           The primary raw material that we use for our  
15    quartz--for our product, is quartz, which is among the  
16    hardest naturally occurring minerals. We begin by mixing  
17    quartz with a small amount of pigment and a small amount of  
18    resin binder. We then combine these mixtures and very  
19    specialized mixing techniques and then distribute them into  
20    a mold in specific ways to achieve specific designs in our  
21    slabs.

22           Cambria has invested heavily in innovation and  
23    has created many new designs for quartz products. The next  
24    stage in our production process involves pressing the  
25    material in the molds to compact the material into slabs of

1       varying sizes and thickness. We then heat the slab to cure  
2       it. After cooling the surface of the slab, it's then  
3       polished. The surface finish can vary.

4               For example, the polish can be a highly polished  
5       glossy surface, or a duller mat type finish. Finally, we  
6       inspect the slabs and prepare them for shipping to our many  
7       customers throughout the U.S.

8               Cambria's quarts products are used in a variety  
9       of applications such as countertops, tiles, bar surfaces,  
10      shower and tub surrounds, fireplace surrounds, walls,  
11      floors, and other surfaces. Quartz has become an  
12      increasingly popular alternative to quarried stone surfaces  
13      such as granite and marble due to its resistance to heat,  
14      staining, and scratching, and its low maintenance, as well  
15      as much improved aesthetic appeal.

16              Since the early 2000s, demand for our quartz  
17      products has grown steadily, and Cambria has played a role  
18      in that growth. Throughout our history, we have invested in  
19      educating our customers, including our fabricators,  
20      distributors, kitchen designers, architects, homeowners,  
21      builders, and the rest of our channels about the benefits of  
22      quartz surface products compared to the alternative stone  
23      products.

24              Our plant has been greatly affected by the surge  
25      of dumped Chinese products into our market. I have

1 personally lost nearly 160 employees and have not been able  
2 to hire most because of what's happening with the illegal  
3 activity from China.

4 Our employees, their families, and our community  
5 need those jobs. We worked hard to build this company and  
6 the market for its products. It is very tough to even  
7 consider what it would mean for our employees and their  
8 families if we do not get relief we need to stop these  
9 unfairly traded imports from China.

10 On behalf of our many dedicated employees, we  
11 thank you for hearing our position and ask you to please  
12 help our company obtain much-needed relief from unfair  
13 trade.

14 MR. MEISNER: Thank you, Mr. Scoggin. Our next  
15 witness will be Rebecca Shult, the General Counsel for  
16 Cambria.

17 STATEMENT OF REBECCA SHULT

18 MS. SHULT: Good morning, Chairman Johanson. My  
19 name is Rebecca Shult and I am General Counsel at Cambria.  
20 One of my primary responsibilities at Cambria is to protect  
21 its intellectual property that the company developed over  
22 many years for its quartz products.

23 There are now countless Chinese companies and  
24 products that infringe our trademarks and designs. At the  
25 staff conference last year, I brought and left with the

1 staff a number of quartz product samples showing that the  
2 look of the Chinese imports is substantially the same as  
3 Cambria's designs.

4 Now today I've brought along a selection of  
5 samples from Cambria's marble collection, which as the name  
6 suggests includes designs inspired by the look of marble.  
7 When we pass these out, you'll notice that many of them have  
8 a white background with veining. Cambria first introduced  
9 this marble collection back in 2009 with its new design,  
10 Waverton. Since that time, we have introduced over 30  
11 designs in our marble collection. The assertion we keep  
12 hearing from the importer resellers about Cambria not  
13 producing marble-inspired designs is simply false.

14 In fact, Cambria led the market with these  
15 designs. And then the Chinese producers imitated those  
16 designs from Cambria's marble collection.

17 Now today I also brought along another sampling  
18 of Chinese products. These are the ones that look like  
19 Cambria's designs specifically from the marble collection.

20 Now Cambria's quartz surface products are not  
21 sold as small, three-inch samples like this. We sell  
22 countertops and slabs. So it might be helpful to show you  
23 an example of a full slab from China that looks  
24 substantially similar to one of Cambria's most popular  
25 design, Britannica, which we invented and filed patents on.

1       Importantly, no one had a design like Britannica in quartz  
2       before Cambria created it. We couldn't bring the full slabs  
3       to the hearing today, so here's a slide to show you  
4       Cambria's Britannica product on the left and then an image  
5       of the copycat slab from China on the right (indicating).  
6       And I apologize. It's difficult to see the designs in the  
7       products here on the slide, but I would refer the Commission  
8       to the handouts of the slides to see the images of the  
9       side-by-side of Cambria's product and a copycat Chinese  
10      slab.

11               For the Cambria product shown here, Cambria filed  
12      a patent infringement lawsuit in federal court against the  
13      reseller importer in December. As part of the confidential  
14      settlement of that lawsuit, the importer reseller agreed to  
15      stop selling the product.

16               I want to emphasize again that this is just one  
17      of countless examples of Chinese producers copying designs  
18      that Cambria innovated, and Cambria will continue to protect  
19      its IP. But filing IP cases is no substitute for the relief  
20      we need from all unfairly traded imports from China. Thank  
21      you.

22               MR. MEISNER: Thank you, Ms. Shult. Our next  
23      witness will be Sam Marchese who is the Chief Executive  
24      Officer of Consolidated Supply Company.

25                               STATEMENT OF SAM MARCHESE

1           MR. MARCHESE: Good morning, Chairman Johanson  
2           and members of the Commission. My name is Sam Marchese and  
3           I am from Omaha, Nebraska. I am the Chief Executive Officer  
4           of Consolidated Supply Company, also known as CKF, which I  
5           have owned together with my wife for 32 years.

6           Our company is a fabricator of countertop  
7           materials and an exclusive fabricator of Cambria's quartz  
8           surface products in our market.

9           When we first started working with countertops,  
10          we sold a lot of solid-surface products like Corian. In  
11          1998, we began fabricating granite, and witness granite  
12          displaced a lot of the solid-surface products.

13          In 2003, we became partners with Cambria. And at  
14          that time, granite was dominant in the market, and the  
15          designs being offered for quartz were limited. Around 2012,  
16          Cambria began introducing designs with greatly enhanced  
17          aesthetic value that triggered real upward momentum for  
18          quartz. Demand for quartz surface products began to soar.

19          Initially, Cambria's innovative designs gave it  
20          an advantage over other quartz products, but Chinese  
21          producers soon began to knock off Cambria's designs and they  
22          have gotten better and faster at doing so. These Chinese  
23          products surged tremendously over the last three years, and  
24          are literally everywhere now.

25          Our kitchen and bath dealer customers now carry

1 both our Cambria product and Chinese imports. Their  
2 customers may come into the showroom looking for Cambria  
3 because of its brand recognition, but then are shown Chinese  
4 product that looks the same as Cambria at substantially  
5 lower price. And all too often then go with the Chinese  
6 products.

7 The kitchen and bath dealers tell us that if they  
8 don't add the Chinese imports to their product offering,  
9 they will lose business to their competitors. This  
10 situation has definitely impacted our business. Instead of  
11 seeing growth, our business has been flat. In addition, our  
12 profit margins have been slashed as we suppress our pricing  
13 to maintain market share.

14 When I testified at the preliminary conference  
15 last year, CKF had 328 employees. Through attrition and our  
16 inability to hire new employees, we have lost 40 workers  
17 since that conference. Where I operate in Nebraska, I  
18 have seen no change in the competitive landscape since the  
19 preliminary duties were imposed in September of '18. One of  
20 the primary reasons is that Chinese importers loaded so much  
21 Chinese product through the pipeline to pad their  
22 inventories before the preliminary duties.

23 On behalf of CKF and other fabricators of  
24 domestically produced quartz, I want to thank you for this  
25 opportunity to testify about the negative impact that

1 Chinese imports are having on our businesses.

2 I hope that the Commission reaches an affirmative  
3 decision that Cambria and other domestic producers of quartz  
4 products have been injured by Chinese imports, and I look  
5 forward to answering any questions you may have. Thank you.

6 MR. MEISNER: Thank you, Mr. Marchese. Our next  
7 witness will be Darlene Brown, who is one of the owners of  
8 Bush Products.

9 STATEMENT OF DARLENE BROWN

10 MS. BROWN: Good morning Chairman Johanson and  
11 members of the Commission. My name is Darlene Brown, and  
12 together with my husband Bob, I am an owner of Bush  
13 Products, a fabricator of quartz surfaces with operations  
14 that cover 65 percent of New York State. We have been  
15 selling Cambria quartz since 2004, and are a proud Lexis  
16 partner with Cambria.

17 We primarily sell to kitchen and bath dealers,  
18 but we also sell to builders, developers and in the  
19 commercial arena. We have seen growth in demand for quartz  
20 every year since we began selling the product. In 2017  
21 however, we saw a big shift, as Chinese imports flooded the  
22 market with cheaply-priced knockoffs of Cambria's designs.

23 Many of our kitchen and bath dealers and  
24 builders/customers told us they were shifting to Chinese  
25 imports because of these low prices. We are also losing in



1 the commercial segment. For example, we lost a huge project  
2 for new dormitories at Syracuse University because the  
3 general contractor could bring in pre-fabricated products  
4 with excess for breakage at a price that was less than the  
5 cost of our slabs.

6 Chinese imports have definitely hurt our  
7 business. In 2017, our sales were flat and we had to  
8 adjust. Every year that we have been in business, we have  
9 upgraded and expanded our machinery. 2017 is the first year  
10 that we did not make these kinds of investments. In 2004  
11 and 2016, our business grew from 17 employees to 100  
12 employees. But in 2017 we had to stop hiring. As workers  
13 have left through attrition, we have not replaced them.

14 In 2018, we were down to 84 employees. We are  
15 hopeful that final relief in these cases will get us back on  
16 a path of growth. We had also lost a large, prestigious  
17 U.S.-based furniture company to Chinese imports, but this  
18 company recently returned to Bush Products. We also have  
19 the opportunity now to bid on large commercial projects  
20 again, where the door was previously closed to us due to  
21 Chinese imports.

22 If there is no final relief from the Commission,  
23 we know we will experience continued erosion and we will  
24 slowly go out of business. It pains me to think of all the  
25 jobs that will be lost without final relief. That is why I

1 am respectfully asking that you reach an affirmative final  
2 decision in these cases. Thank you for the opportunity to  
3 testify today.

4 MR. MEISNER: Thank you, Ms. Brown. Our next  
5 witness is Chris Stewart, who is the chief executive officer  
6 of International Granite and Stone.

7 STATEMENT OF CHRIS STEWART

8 MR. STEWART: Good morning Chairman Johanson and  
9 members of the Commission. My name is Chris Stewart, and I  
10 am the owner of International Granite and Stone or IGS, a  
11 fabricator of quartz and other surface products with  
12 operations throughout Florida. IGS has been in operation  
13 for 17 years. Over that time, I have seen tremendous growth  
14 in the demand for quartz counter tops.

15 Ten years ago, about 80 percent of the stone we  
16 but was granite and marble, and just 20 percent was quartz.  
17 Now we cut 80 percent quartz and 20 percent other surfaces.  
18 The vast majority of the quartz that we cut and sell is  
19 supplied domestically by Cambria.

20 Chinese imports have surged in our Florida  
21 markets. MSI and its fabrication partners drove the price  
22 of quartz counter tops to the rock bottom by introducing  
23 Chinese imports, especially in the builder segment of our  
24 business. Long-standing bill of accounts showed us prices  
25 for Chinese quartz being offered by our competitors.

1                   They told us that either we match the Chinese  
2     prices or lose the business. These designs were direct  
3     knockoffs of popular Cambria designs. The Cambria brand has  
4     not prevented us from losing sales. Everyone is  
5     representing themselves as a premium quartz brand with the  
6     best designs. It's impossible to distinguish Cambria as a  
7     luxury brand when design centers have Chinese knockoff  
8     products right next to Cambria's products.

9                   Because of Chinese imports, our margins have  
10    suffered. We were forced to lower the price of our Cambria  
11    products in response to the pressure from Chinese imports.  
12    We have tried to survive by transitioning our business to  
13    more in-home sales, where we control the products presented  
14    to the customer. But this may not be a sustainable  
15    strategy, and we would certainly like to get back in the  
16    builder business.

17                  I hope that the Commission reaches an  
18    affirmative final decision in these cases. On behalf of IGS  
19    and other fabricators of fairly traded quartz products,  
20    thank you for this opportunity to testify about the negative  
21    impact that Chinese imports are having on our business.

22                  MR. MEISNER: Thank you, Mr. Stewart, and our  
23    last witness this morning will be Kim Clark, who is the  
24    president of Palmetto Surfacing, Inc.

25                                 STATEMENT OF KIM CLARK

1                   MR. CLARK: Good morning Chairman Johanson and  
2 members of the Commission. My name is Kim Clark. I am  
3 president and owner of Palmetto Surfacing, a full service  
4 counter top company in Charleston, South Carolina. I've  
5 been in the counter top surfacing business for 30 years. I  
6 was an early adaptor of quartz and have been cutting quartz  
7 since it was first introduced in the U.S. market by DuPont  
8 in the early 2000's.

9                   Back then, other fabricators used to poke fun at  
10 me for cutting quartz, but I knew it was a great product and  
11 I invested a lot of time and money educating consumers about  
12 the beauty and its benefits. There are about 27 fabricators  
13 in my market. We are one of the largest fabricators, with  
14 over a million dollars' worth of plant equipment.

15                  There are 15 smaller fabricators that used  
16 bridge saws for cutting stone worth about 75,000 or less in  
17 terms of equipment. The remaining fabricators fall  
18 somewhere in between. I saw Chinese quartz enter the market  
19 about four years ago, imitating Cambria's designs but at  
20 much lower prices.

21                  All of our customers are sensitive to price, but  
22 the builder business is very sensitive to pricing. Builders  
23 are our largest customers because their projects involve  
24 multiple kitchens and baths that require quartz surfacing.  
25 Over the last four years, we have lost four major builder

1 customers to Chinese imports based purely on price.

2 The Chinese imports have impacted our business  
3 in other ways. Prior to the arrival of Chinese imports, we  
4 increased our prices in line with demand and cost. But we  
5 have not been able to increase our prices for three years.  
6 In addition, our overall revenues were down ten percent last  
7 year. This was the first time in 30 years our business has  
8 not grown.

9 I employ 34 people and have had to change a lot  
10 of business practices to keep all of them employed. I also  
11 have put off investments for equipment purposes. I have not  
12 yet seen an impact from the preliminary duties imposed on  
13 Chinese quartz. Importers pushed through so much Chinese  
14 product before the duties and the market is still working  
15 through the inventory.

16 I am hopeful that the Commission reaches an  
17 affirmative decision and determination, and we will see a  
18 positive impact. Thank you for the opportunity to testify.

19 MR. MEISNER: Thank you, Mr. Clark. That  
20 concludes our presentation.

21 CHAIRMAN JOHANSON: Thank you Mr. Meisner and  
22 everyone else who is appearing here today. We will now  
23 begin Commissioner questions with Commissioner Broadbent.

24 COMMISSIONER BROADBENT: Okay. I want to  
25 welcome the witnesses today. We had a good trip out to Le

1       Suere to see your operation at Cambria, and I think when  
2       they were doing that, some of our staff was looking at this  
3       movie, the Legend of Cambria that was on the web, and I  
4       guess you took it down. Is it still available to see?

5               MR. DAVIS: Yes, it's still on our website.

6               COMMISSIONER BROADBENT: It's on your website.

7               MR. DAVIS: Marty Davis, manager at Cambria.

8       But yeah, it's still available. We built that, I think you  
9       and I talked a little bit about that. We built that over  
10      four years ago, and deployed it about two years ago into the  
11      mainstream marketing mediums, and pretty quickly after we  
12      deployed it we pulled back the actual launching of it in  
13      mainstream marketing and advertising as a result of what  
14      we're dealing with.

15              COMMISSIONER BROADBENT: Okay, thank you. Why  
16      is Cambria here alone representing the domestic  
17      slab-producing industry in the injury argument? Why is LG  
18      on the other side and why is Cesar Stone not here today?

19              MR. DAVIS: I can only tell you what they've  
20      told me directly, a good relationship with Cesar Stone.  
21      They're very supportive of this case. They told me they  
22      filed a letter saying so directly, told me that directly,  
23      and I know that they have supported it at a variety of  
24      levels, both directly with Cambria and with our legal team.

25              They have a new CEO, Evall, who I've met once.

1 I think he's been to America a couple of times.

2 COMMISSIONER BROADBENT: This is LG?

3 MR. DAVIS: Yeah. This is Ceasarstone's new  
4 CEO.

5 COMMISSIONER BROADBENT: Oh, Ceasarstone.

6 MR. DAVIS: Who joined them last fall I believe.

7 I did get a chance to meet with him in Israel in November,  
8 and he was very, very concerned about China in this  
9 circumstance and very supportive of our case. As a public  
10 company, they're dealing with the dynamics of dual emperors  
11 as to what their messages can be, and I think that's been a  
12 challenge for them as it related to publicly supporting this  
13 case in a different way.

14 As it relates to LG, I talked and I know their  
15 CEO and have known him for some time. When we first started  
16 this case, I talked directly with him. He was very  
17 supportive of this case. He wanted to help us and join us  
18 with the case, and he assured me he was going to talk to his  
19 headquarters and get back to me.

20 He did get back to me, and he told me that he --  
21 due to some of the safeguard issues their headquarters had  
22 with American Trade platforms, he would not be able to  
23 participate, but he wanted me to know how much he supported  
24 what we were doing, and would support in any way he could  
25 without offending his headquarters.

1                   In addition to that, last year at this very site  
2                   out on the front sidewalks, two of the LG representatives  
3                   that were here came up and thanked me for my testimony,  
4                   shook my hand and told me how much they support what we were  
5                   doing. It was subsequent to that, when you put the  
6                   preliminary duties in and they had to raise the prices,  
7                   everybody in America did on Chinese imports, that LG raised  
8                   the prices on a bunch of their products.

9                   They did so because those products were being  
10                  imported from China. We did not know that. They did not  
11                  share that with us, and in many ways the market did not know  
12                  that and assumed those products were made in America. So  
13                  all the things changed, I guess, as it relates to LG in  
14                  particular as an importer of Chinese material after that  
15                  occurred. I might also say that Cesar Stone too was  
16                  importing Chinese material.

17                  They apologized to me for that and said they  
18                  were going to stop doing it. I don't know if they did or  
19                  not, but I had many discussions with them about it. I think  
20                  the Cesar Stone issue is understandable. They're dealing  
21                  with a tremendous amount of pressure.

22                  They have desperate circumstances they're  
23                  dealing with with their investors in Wall Street, and in  
24                  reading the quotes that are being attributed to them, I can  
25                  imagine there's a variety of variances in the narrative that



1       they're having to deal with. That's all I could say to  
2       that.

3                   I got a call from their new head of sales about  
4       two or three months ago, asking if there's anything he could  
5       do to help us with the case. He wanted to be a liaison to  
6       ensure that they were supportive, and he again reiterated to  
7       me how supportive he is and thankful they are for what  
8       they're doing.

9                   When we won the preliminary ruling, the Chairman  
10      of the Company called me and told me that if he was with me  
11      at that time he'd kiss me, and he thanked me very, very much  
12      for what we've done on behalf of the domestic industry.

13                  COMMISSIONER BROADBENT: Okay.

14                  MR. SCHAGRIN: Commissioner Broadbent, this is  
15      Roger Schagrin for the record. I'd just point out a couple  
16      of things. First, it's not that unusual. We were here last  
17      year with Forge Steel Fittings and only the leading U.S.  
18      producer was the only petitioner in that case with another  
19      four U.S. producers.

20                  So sometimes a lot of circumstances. What to me  
21      is so unusual about this case, I really over a lifetime of  
22      doing this have never seen a situation in which the prices  
23      of the imports from China are roughly half U.S. producers'  
24      cost of production. It's no surprise that U.S. producers  
25      other than Cambria have decided to become significant

1 importers.

2 I mean, you know, most of -- except for Cambria,  
3 these are multi-national companies. They have the  
4 opportunity to buy an imported product that looks like what  
5 they make in their U.S. plants at well below their cost of  
6 production. So I'm not accusing any of these other U.S.  
7 producers of not making good business decisions, not  
8 representing their U.S. interests, which is why LG is  
9 opposing us today.

10 They're not acting like a U.S. producer. I'm  
11 sure they're going to make claims of attenuated competition  
12 and get on the whole, you know, bandwagon. But really in  
13 other cases, in steel products, you know, we see imports at  
14 10 or 15 percent below the market at U.S. producers' costs.

15 The idea that here we have imports at half U.S.  
16 producers' cost of production when the raw materials are the  
17 same price worldwide. This is quartz, stone and resin.  
18 It's the same price worldwide. So it's a very, very odd  
19 situation here, and I think it just shows the amount of  
20 subsidization and dumping, and it makes this an unusual case  
21 for the Commission. There's no question about that.

22 COMMISSIONER BROADBENT: Mr. Davis, from a  
23 non-legal sort of commercial perspective, how do these --  
24 you're asking for critical circumstances, and those duties  
25 can be pretty punitive on I guess companies that could be

1     your customers. How does that help you? We're getting  
2     letters from small businesses that are looking at an \$80,000  
3     liability on duties retroactively. Does that make a lot of  
4     sense to do in the market? How does it help you?

5             MR. DAVIS: So that's a fair question and a  
6     dilemma that we've dealt, one of whom will testify against  
7     us today on critical circumstances, a friend of mine and a  
8     customer of ours. We talked earlier today. It's a  
9     difficult situation. But the reality is that product was  
10    dumped in here after we filed.

11            We were already harmed before the preliminary  
12    findings came out, and then they doubled down and dumped  
13    material in here after we filed at subsidized illegal  
14    prices, illegally dumped subsidized prices, my apologies.

15            So that product is in here at under-market  
16    prices, substantial under market prices, and the critical  
17    circumstances do nothing more than right-price the material.  
18    If you do the math on a \$6 product that was dumped in here  
19    and put the tariff on it it's \$18, which is what we sell to  
20    the distribution market at.

21            So why should the -- we've already been injured,  
22    we've already been damaged, we've already been irreversibly  
23    damaged in many ways. As you mentioned our film, that whole  
24    investment's been a waste and -- as a result of this, and as  
25    a result of having to pull back any of that positioning.

1 Now we're going to be damaged again because they doubled  
2 down during the period of time after we filed and want to be  
3 able to dump that product in this market under priced?

4 That's the issue and that's what I told my  
5 friend and customer when he came to my office two months ago  
6 to apologize for the circumstances, and when I saw him again  
7 this morning. So it is a difficult situation, but I don't  
8 know that we should be the road kill any further for other  
9 people's actions during this process and during this period.

10 MR. MEISNER: This is Luke Meisner from Schagrin  
11 Associates. I know you wanted to hear from a commercial  
12 perspective, but just to make sure the point is made, you  
13 know, I heard you mention the word "punitive." I don't  
14 think that the tariffs that were collected retroactively are  
15 punitive in any way. They represent the amount of dumping  
16 and subsidization that the Department of Commerce found  
17 through its investigation.

18 And again, if the importers were required to  
19 continue to have to pay those duties, then what -- all  
20 they're required to do is factor the payment of those duties  
21 into the pricing which they ultimately sell that inventory  
22 into the U.S. market. So it doesn't mean they have to go  
23 out of business. They're not being punished. They just  
24 have to raise their prices to fair levels, and they can  
25 still sell that inventory in the market.

1                   COMMISSIONER BROADBENT: But you think about it.  
2           I mean a small fabricator out in the Midwest who's buying  
3           the stuff and orders it, and then suddenly he's given this  
4           huge duty bill. I mean how can he recover his costs for  
5           that?

6                   MR. MEISNER: Luke Meisner from Schagrin  
7           Associates. If he was planning, if that importer, if he or  
8           she was planning to sell it at \$7 or \$8 per square foot,  
9           then as Mr. Davis mentioned, he can raise the price to \$18  
10          per square foot to cover the cost of the duties. That's  
11          exactly the intention of the imposition of AD and CVD duties  
12          under U.S. trade law.

13                  COMMISSIONER BROADBENT: Okay. It's a pretty  
14          tough remedy, I think.

15                  CHAIRMAN JOHANSON: Commissioner Schmidtlein.

16                  COMMISSIONER SCHMIDTLEIN: Okay, thank you very  
17          much. I'd like to thank all the witnesses for being here  
18          today. I was one of the Commissioners who visited Cambria  
19          in February, so we appreciated your hospitality at that  
20          visit and it was very interesting.

21                  I want to dive right into the argument about  
22          attenuated competition, and I think maybe the first  
23          question, and I think this could be for one of the witnesses  
24          instead of the lawyers, is do you agree with the position of  
25          the Respondents that there is two segments of this market,

1 one that is commercial or what they call the mass market,  
2 and the other being single family homes that are more high  
3 end, and that there are two price points between those  
4 segments? Mr. Davis, do you want to take that question or  
5 Mr. Ward, the CFO?

6 MR. DAVIS: Sure, I can and I'd be happy if a  
7 few of our partners do.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. DAVIS: Certainly there's multiple pricing  
10 segments in the market. When you build a company and a  
11 product line and as our competitors have done, you want to  
12 tap into all those. You develop different products for  
13 them. You service them differently with different market  
14 specialists and different people in the market.

15 There's certainly on the commercial side more of  
16 a bidding process, but it's one that we intend to play in,  
17 intended to play in and operate in and can thrive in.  
18 Thirty-five percent of our sales during that period of time  
19 were commercial, where we had to bid.

20 So the point is that there's two different  
21 segments, and you play in one and somebody plays in the  
22 other. That's just not the case. We have 150 designs. We  
23 supply product at every channel in different ways, and we  
24 innovate to get into those markets in different ways.

25 COMMISSIONER SCHMIDTLEIN: So do you expect that

1 the mass market segment has a lower price point than high  
2 end luxury homes?

3 MR. DAVIS: Some of it does, yes.

4 COMMISSIONER SCHMIDTLEIN: But not all of it?

5 MR. DAVIS: No.

6 COMMISSIONER SCHMIDTLEIN: So who would you --  
7 can you estimate how much of it you think has a lower price  
8 point than --

9 MR. DAVIS: I really, I probably can't. The  
10 statistics in our industry are pretty fleeting. The ability  
11 to look at data and understand it, you really have to get  
12 what's on the ground. I can just tell you that it depends  
13 on the circumstance, depends on if you win over the client  
14 building the building or the hotel client building the  
15 building and you can sell the value, or whether or not it's  
16 strictly going to be kind of an auction oriented bid  
17 process.

18 But it's a wide-ranging market. We plan all of  
19 it, and the Chinese material completely imploded any of that  
20 competitive landscape.

21 COMMISSIONER SCHMIDTLEIN: So when you said that  
22 -- you estimated roughly 35 percent of your sales go into, I  
23 guess, what we are calling the commercial and I'll use the  
24 commercial and mass market terms interchangeably, is that  
25 because you're selling slabs to fabricators, who are then

1 selling those to builders and developers, or are you talking  
2 about finished, fabricated counter tops?

3 MR. DAVIS: Yeah. I mean it ends up to be the  
4 same circumstance. We either sell it to a fabricator in our  
5 markets or we fabricate. We sell it directly to those users  
6 as well, those commercial users in that market. But those  
7 markets, those are our growth markets as well. That's where  
8 we were growing and have grown in those markets. So as  
9 quartz became more preeminent in the residential space, it  
10 started to pick up in the commercial space.

11 It's a bit of a longer pull as you start to  
12 develop the knowledge. It's got an architectural platform  
13 to it, a designer platform that's different. It takes  
14 commercial specialists to be in those zones talking to those  
15 people and trying to convince them of your product  
16 conditions.

17 And when you then compete with knockoff products  
18 of economics more than half of yours, those kinds of  
19 competitive landscapes change almost immediately, and that's  
20 what's happened.

21 MR. SCHAGRIN: Commissioner Schmidtlein, could I  
22 ask some of the distributors, because I think you heard from  
23 Ms. Brown, who distributes across two-thirds of New York and  
24 talked in our testimony about kitchen and bath, which is the  
25 home market, and the commercial market. So I think you



1 might benefit from hearing from some of the distributors,  
2 who might otherwise be shy.

3 COMMISSIONER SCHMIDTLEIN: I would, and I had a  
4 question for the distributors, and are they distributors or  
5 fabricators? Is there a difference?

6 MR. SCHAGRIN: Both.

7 COMMISSIONER SCHMIDTLEIN: They're both.

8 MR. SCHAGRIN: They're both.

9 COMMISSIONER SCHMIDTLEIN: Okay and, you know,  
10 feel free to add on to what Mr. Davis has said. But one  
11 question I had for all the fabricators on this panel is were  
12 you selling Cambria product to developers and builders  
13 before the Chinese came into the market, or was it that you  
14 were selling granite more to those types of buyers?

15 Because that's one of the arguments we have in  
16 this case, is that in fact the commercial market has really  
17 exploded because the price point of the Chinese product is  
18 low enough that builders are interested in it, and if the  
19 price goes up, they're going to go back to granite, right,  
20 another lower price point.

21 MR. SCHAGRIN: It's totally wrong and totally  
22 false. But it is.

23 COMMISSIONER SCHMIDTLEIN: It is.

24 MR. SCHAGRIN: I mean these Save Forge Jobs tee  
25 shirts, you know, they can fabricate whatever stories they

1       want. They are fabricators. But I think you should hear  
2       from the folks on this panel that in fact the Cambria  
3       product was being widely used across all these commercial  
4       applications. We showed you pictures, hotels, hospitals,  
5       condos.

6                   COMMISSIONER SCHMIDTLEIN: Well, I have three  
7       pictures, and I'd like to hear from the fabricators, and of  
8       course only -- and I'm only rushing because, you know, we  
9       only have ten minutes per round so we're not here all day.  
10      But one question after that for the lawyers is what's the  
11      best, you know, besides the testimony that we have sitting  
12      here today, what's the best evidence of that in the record,  
13      right?

14                   Because when you look at the channels of  
15      distribution, which the specific numbers are confidential,  
16      they're comparable in terms of where each product is going.  
17      So what do we point to in the record to say okay, you know  
18      look. It's not going to just be replaced by granite. In  
19      fact, they've lost sales in that particular segment of the  
20      market. They've lost sales in the high end residential  
21      segment of the market.

22                   Like what do we point to, because I don't see in  
23      the record where that's supported, other than by the  
24      testimony here.                   (Simultaneous speaking.)

25                   MR. SCHAGRIN: Let the lawyers speak second.

1 COMMISSIONER SCHMIDTLEIN: Please go ahead.

2 MR. SCHAGRIN: They'll let you know briefly.

3 MS. BROWN: Commissioner, it's Darlene Brown  
4 from Busch Products. We've always played in the commercial  
5 arena, and we've always fabricated quartz. Way back when we  
6 did do some granite but we switched to primarily quartz  
7 because we stood behind American manufacturing. We've lost  
8 many jobs in recent years that were typically going to go to  
9 us, because they could bring in pre-fabricated goods, allow  
10 for breakage lower than our cost of raw slabs.

11 Now since -- these commercial bids go out way in  
12 advance. So now they're looking at possibly not being able  
13 to get that cheap Chinese quartz anymore, I'm having  
14 opportunities getting these customers back now, and bidding  
15 on a 263 unit complex that's going all Cambria. They could  
16 go to cheap granite if they chose to.

17 They chose the quartz because especially for  
18 multi-unit projects, it's going to hold up better, it's  
19 going to last all of that and it's what's in demand. So  
20 we're getting opportunities back again that we had  
21 previously lost in that period because of the huge imports.

22 COMMISSIONER SCHMIDTLEIN: Do you fabricate  
23 granite stone?

24 MS. BROWN: No.

25 COMMISSIONER SCHMIDTLEIN: No. Just Cambria?

1 MS. BROWN: Yes. We're a Lexus partner and  
2 again we've chosen to stand behind American manufacturing,  
3 and we pride ourselves on that.

4 COMMISSIONER SCHMIDTLEIN: Okay. Do the other  
5 fabricators, would you like to comment? Mr. Marchese?

6 MR. MARCHESE: Sam Marchese, CSC of Omaha. I  
7 can speak to our marketplace in relationship to the builder  
8 market, which is a highly competitive market.

9 COMMISSIONER SCHMIDTLEIN: Where are you? Oh,  
10 are you in Nebraska?

11 MR. MARCHESE: Omaha.

12 COMMISSIONER SCHMIDTLEIN: Yeah, okay.

13 MR. MARCHESE: Omaha, Des Moines, Iowa and  
14 Kansas City, and the -- our challenge over the last few  
15 years, at one time we had market penetration in the builder  
16 market of up over 60 percent. So we were selling Cambria  
17 into the most competitive market segment, maybe not as  
18 competitive as the large-scale commercial.

19 We were successful in that market segment  
20 because of a combination of the product being produced with  
21 high quality and in America and our service levels. But  
22 what we've had to over the last couple of years to maintain  
23 that market penetration, to maintain that customer base is  
24 we really had to slash our pricing. We had no option.

25 So we're selling our customer base with deeply

1 discounted pricing that once you lose a customer, it's very  
2 hard to get them back. You know it's our feeling that what  
3 we see with this Chinese situation is a false economy. It  
4 can't sustain itself, and we've made the decision to hold on  
5 the best we can until things get straightened out in the  
6 marketplace. The marketplace is not, in our estimation,  
7 legitimately priced right.

8 COMMISSIONER SCHMIDTLEIN: And I know you said  
9 before you sell to kitchen and bath dealers. Are those  
10 considered to be part of the commercial market?

11 MR. MARCHESE: No.

12 COMMISSIONER SCHMIDTLEIN: No, okay.

13 MR. MARCHESE: Kitchen and bath would be more  
14 selling to --

15 COMMISSIONER SCHMIDTLEIN: Residential  
16 designers.

17 MR. MARCHESE: Residential.

18 COMMISSIONER SCHMIDTLEIN: Yeah, okay, okay.  
19 Well we can come back, because my time has expired, but  
20 we'll follow up in the next round.

21 CHAIRMAN JOHANSON: Commissioner Kearns.

22 COMMISSIONER KEARNS: Thank you all again for  
23 appearing before us today. I guess I want to continue on  
24 with the attenuated competition and the market segment  
25 questions, and reiterate that I think, you know, it would be

1 good to have more information on the record to sort of have  
2 us better understand how you're competing in the more mass  
3 market segment.

4 For example, I thought it was interesting. In  
5 the opening, I think Ms. Drake mentioned that 50 of your 120  
6 sales representatives served that segment of the more  
7 commercial end of the market; is that correct?

8 MR. DAVIS: Yes, that is correct.

9 COMMISSIONER KEARNS: Okay, thank you. So if you  
10 can after, you know, in the post-hearing brief explain more  
11 detail, more evidence, I think, to substantiate that you all  
12 are really focused on that segment of the market, that would  
13 be helpful.

14 To continue on Commissioner Schmidtlein's  
15 questions, one thing we saw in at least one of the  
16 Respondent's briefs is some quotes from you all about how  
17 you don't serve markets like Lowe's and I think it was Home  
18 Depot or one of the big box retail stores like that. Is  
19 that consistent what you're telling us now? In other words,  
20 is it that you don't serve those particular channels but you  
21 directly access, you know, hotel chains and that sort of  
22 thing?

23 Help us understand if you're very intent on  
24 serving that segment of the market, why aren't you in those  
25 big box stores?

1                   MR. DAVIS: When we started our business,  
2                   Silestone had already begun and they were entrenched pretty  
3                   deeply with Home Depot. So we didn't consider that an  
4                   option, and we chose on the residential side to launch our  
5                   business with kitchen and bath dealers on the residential  
6                   side throughout the country. At that time, our competitor  
7                   was granite. So that's where we did focus and continue to  
8                   focus.

9                   Our competitors both in Cesar Stone and  
10                  Silestone, I did meet with Home Depot multiple times, but  
11                  they were already well entrenched there, and as a result of  
12                  that we provided a workforce to focus in on a market that we  
13                  didn't think was as well-served, and have built the kitchen  
14                  and bath market as a result of that on the residential side.  
15                  But the interesting thing that was happening is we were  
16                  having to win over the granite market position, and that is  
17                  a good answer to Ms. Schmidtlein, did I get that right,  
18                  Schmidtlein's question.

19                  The reason that cheap Chinese quartz is  
20                  different for us than competing against granite in a  
21                  commercial basis is the same reason we won the market share  
22                  on granite. I mean we were the devil's music when we came  
23                  into this business in the stone industry. Many of these  
24                  fabricators back here wouldn't even allow me to come in and  
25                  visit with them. They didn't want our product in their

1 category, they didn't want quartz involved.

2 So we went at it alone with some people like  
3 Kim, like Sam, who got on board with us and believed in  
4 this, and we competed against granite. We ultimately won  
5 that residential position because quartz out-performs  
6 granite from a durability standpoint, and once we  
7 accomplished through our intellectual property and patent  
8 development work the aesthetic look of granite, we were able  
9 to rapidly take market share and we moved right into  
10 commercial.

11 We will take the market share in commercial if  
12 it's against granite because of performance as a quartz  
13 product. But when cheap, dumped Chinese quartz comes in, it  
14 performs as well. So our opportunity to earn the space has  
15 been disrupted by that. As it relates back to the home  
16 center, it would have just been going in and competing  
17 directly with very ample supplies in those spaces that have  
18 been there long prior to us.

19 Whether we go in there some day now or not, we  
20 don't know. We talked with those companies. They're good  
21 companies. They serve the market well. One thing that's  
22 changed in our position with our kitchen dealers has been  
23 diluted, so they're no longer kind of our route to market as  
24 solemnly as they were because they've had to take on, as Sam  
25 said, the Chinese material.



1                   But the big difference that I think to answer  
2                   the question for us as a competitive product, a free trader  
3                   who demands fair trade is that our product can win against  
4                   granite and we can outperform it and the economic models can  
5                   be won over because of performance.

6                   That is why the man who invented this product,  
7                   Mr. Tunchelli from Italy, invented it. He was a granite  
8                   fabricator and seller who knew the woes and the ills of  
9                   granite as it related to performance. He invented this  
10                  quartz product to overcome the staining and some of the  
11                  sanitation issues that occur with granite and marble.

12                 So as we go back head to head in that and if we  
13                 cleanse this market from unfairly dumped quartz from China  
14                 that performs, then we will be able to compete on  
15                 performance again and innovation and aesthetics, and that's  
16                 how we will capture and continue to capture more and more of  
17                 the commercial markets.

18                 MR. SCHAGRIN: Commissioner Kearns, this is  
19                 Roger Schagrin. So a few things from the record and then  
20                 some things get mooshy. So this is in part in answer to  
21                 Commissioner Schmidtlein's question. So when you talk about  
22                 Lowe's and Home Depot, then I think you're trying to talk  
23                 about well, that must be the low end and the mass market  
24                 because we're so used to big box retailers being mass  
25                 market.

1                   But in fact, Lowe's and Home Depot, that's  
2                   servicing the kitchen and bath design market. That's for  
3                   people to put into their individual homes, which we're  
4                   calling this high end residential. I get confused; we had  
5                   this conversation a lot yesterday.

6                   When, I don't know when Mr. Marchese is selling  
7                   a builder building 300 tract homes in the suburb of Omaha  
8                   for \$200,000 homes and they want to get a contract to put  
9                   the same kitchen in all 300 of those homes, whether that  
10                  makes that the luxury market, but the person building a 200  
11                  unit million dollar condos in D.C. because they're all in  
12                  one building, even though they're more expensive, that's the  
13                  mass market because they're in one.

14                 So I find a view, which is why I think this  
15                 whole attenuated competition argument is really a lot of  
16                 phooey, to be quite honest. But look at the fact Cambria,  
17                 which grew tremendously from 2001 until 2018, could not have  
18                 grown without also turning the mass market commercial onto  
19                 their product. Which is why they have 50 people dedicated  
20                 just to selling that.

21                 Which is why all these fabricators that are here  
22                 today for them sell into both markets, because it could be  
23                 as much as 60 or 70 percent of the whole U.S. market. Yes,  
24                 they have to access it.

25                 In terms of the record, in spite of the attempts

1 by these big respondent organized lobby groups to tell  
2 everybody how to answer the ITC questionnaire, which if  
3 you've seen our exhibits to our brief we put in there, which  
4 I personally, as someone who's practiced here for 35 years,  
5 I just find it totally offensive for anyone to try to  
6 manipulate the record. It's just wrong.

7 But the Commission got purchaser responses which  
8 go across all segments of this market, and the purchasers  
9 overwhelmingly said that the Chinese and domestic products  
10 are substitutes. If you look at record evidence, it's your  
11 purchaser responses.

12 COMMISSIONER KEARNS: Okay, and then one thing I  
13 think that makes -- the argument we're hearing on the  
14 Respondent's side seem persuasive though is, I mean as I  
15 understand Cambria's business model, there is a lot of  
16 attempts to differentiate the product, right. I mean the  
17 movie, you know, the distribution network, there's all this  
18 --

19 MR. SCHAGRIN: The brand.

20 COMMISSIONER KEARNS: The brand. Yeah, and  
21 there's pretty extensive branding going on here. So help me  
22 understand. It does seem to me like if you're going to try  
23 to do that and to fill this high end of the market, that  
24 then selling into the mass market, and I agree with you, Mr.  
25 Schagrin, it's kind of hard to understand exactly what we're

1        talking about there when we're not, I don't think  
2        necessarily, talking about quality differences so much as  
3        aesthetic differences.

4                    But help me understand how that's one consistent  
5        business strategy, that you're going to both have -- I don't  
6        want to harp too much on the video, but the video and you  
7        know, the distribution centers and the exclusivity  
8        arrangements, and then at the same time you want to serve  
9        everyone?

10                   MR. DAVIS: Yeah. We do want to differentiate,  
11        as I mentioned to Ms. Broadbent when she asked me that in  
12        Minnesota, with just like a Kohler or anybody else in their  
13        space would moan, you try to compete with your competitors.  
14        We're competing and are competing with Caesartone and  
15        Silestone and Zodiac from DuPont.

16                   And so we've certainly tried to position  
17        ourselves as a brand and elevate the experience and promote  
18        the family-owned American made, and our movie was a heritage  
19        movie. We invested in that movie, as I said, four or five  
20        years ago. It's not in our results today. We spend \$15  
21        million a year in marketing. That is a very small amount.  
22        It's about three percent.

23                   We invest very smart in marketing. We do a lot  
24        of things in-house, but we are certainly trying to position  
25        ourselves on a brand basis in different channels that we

1       operate in. But we didn't build this company to operate in  
2       channels that others select for us to operate in.

3               The whole surfaces market is our market, and  
4       until the Chinese started dumping material in here, after we  
5       and others created this category's viability, and for us to  
6       then be told or described or defined that that isn't our  
7       market, I mean it's completely our market and we've been in  
8       it from Day 1.

9               We've been in airports, we've been in hotels,  
10       we've been in multi-family condos, and we were making  
11       tremendous headway as quartz began to make the same headway  
12       in the commercial market that it made in the residential  
13       market, as it relates to performance in those markets.

14              But our marketing budget is very small, and of  
15       that \$15 million a good portion of it, about a third of it  
16       is to fly in and host fabricator partners, kitchen dealers,  
17       architects, designers from both markets, commercial and  
18       residential throughout the United States, and host them to  
19       see our factory and spend time in our showrooms, and about  
20       another \$4 million of it is investments in our showrooms and  
21       our point of sale in the markets, out in the marketplace.

22              So this project, it's just completely false,  
23       that our marketing has somehow driven our cost position up.  
24       It's not a very large marketing budget, and our competitors,  
25       Cesar Stone and Silestone, have similar marketing budgets.

1                   COMMISSIONER KEARNS: Okay. Thank you. My time  
2                   is up, but if you can -- and that's helpful in understanding  
3                   your marketing budget. If you can also post-hearing, you  
4                   mentioned that right from Day 1, you all were involved in  
5                   selling to, I think you mentioned airports and that sort of  
6                   thing.

7                   You know, anything you can put on the record to  
8                   help us better understand that would be helpful. Thanks.

9                   MR. DAVIS: One thing I would add, you're right.  
10                  We do the marketing and then as I mentioned, the Chinese  
11                  product and the resellers come into this market and draft  
12                  behind our work, and then just give a me too presentation  
13                  after we did the heavy lifting, along with other competitors  
14                  that have done legitimate work in this market.

15                 CHAIRMAN JOHANSON: I'd like to thank all of you  
16                 for appearing here today. Here's my first question.  
17                 Domestic inquiry in this case requires our consideration of  
18                 fabricators, and whether they engage in sufficient  
19                 production-related activities to be considered members of  
20                 the domestic industry producing quartz service products.  
21                 What evidence should we rely on to assess the complexity of  
22                 fabrication?

23                 MS. DRAKE: Chairman Johanson, this is Elizabeth  
24                 Drake. I'll start. I think the traditional factors that  
25                 the Commission looks at all support not including

1        fabricators in the domestic industry. The staff report has  
2        good data on the level of capital investment, in the  
3        industry which is in integrated producer's multiples of  
4        what's invested in a fabrication facility in terms of  
5        technical expertise.

6                While there is some expertise involved in  
7        fabricating a slab, cutting it to size in the right shape,  
8        it's nothing compared to the various kinds of expertise that  
9        are needed to manufacture the slab, including process  
10       engineers, other kinds of engineers, materials, experts, et  
11       cetera, so it's an entire team of various kinds of  
12       technical expertise that are required that require training  
13       and that need long time on the job in able to be able to  
14       produce those slabs.

15               Employment levels -- really there it if you're  
16       looking at aggregate versus on an individual basis.  
17       Certainly, on an individual basis, an integrated plant  
18       employs many, many more people than a fabrication shop,  
19       especially a typical fabrication shop, many of which are  
20       very small.

21               In terms of value added, I would say that  
22       Respondents have sort of misrepresented the value added by  
23       simply comparing one square foot of slab to one square foot  
24       of fabricated product which does not reflect how it's  
25       actually produced which is the slab is cut down so there is

1 a significant amount of yield loss in producing a square  
2 foot of fabricated products. It takes about a foot and a  
3 half -- the slab, so you need to elevate that amount to  
4 understand the true amount of value added that's small and  
5 actually the majority of the value of the fabricated product  
6 comes from that slab itself, and not from the additional  
7 work done to the slab.

8 And finally, the quantity and type of parts  
9 sourced in the United States -- that will vary by  
10 fabricator. Certainly, the integrated producers are most of  
11 -- their inputs are coming from the United States, but  
12 fabricators, well some, obviously that fabricate domestic  
13 product, many of the ones that are in Respondent's  
14 questionnaire rely on imports, which is why they're here  
15 today opposing this release.

16 So, we think all of those factors together weigh  
17 against including fabricators in the domestic industry.

18 CHAIRMAN JOHANSON: Thank you, Miss Drake. Does  
19 it make a difference to the ultimate result for reach in  
20 this case as to whether or not we include fabricators in the  
21 domestic industry?

22 MS. DRAKE: This is Elizabeth Drake. No, so, we  
23 think that you will find material injury. That the record  
24 shows material injury whether or not fabricators are  
25 included and so, but we think the facts do not support



1 including them.

2 MR. SCHAGRIN: And Commissioner Johanson, this is  
3 Roger Schagrin. What you do create, because the statute  
4 requires you to look at related party issues for any  
5 domestic producer, so once you start to think about  
6 including the fabricators, your staff and the members of the  
7 Commission, you just multiplied your work 50-fold on the  
8 related party issue because the vast majority of the  
9 fabricators who are coordinated by these lobby teams that  
10 respond to your questionnaires, primarily cut Chinese  
11 material.

12 So, they're related to the Chinese as importers  
13 of Chinese material. So, if you include the fabricators,  
14 you'd actually then exclude almost all of them as related  
15 parties.

16 CHAIRMAN JOHANSON: Thank you Mr. Schagrin and  
17 Miss Drake. Respondent's argued that the Commission's  
18 pricing data and the underselling by subject imports  
19 demonstrate a lack of competition between the domestic  
20 industry and subject imports. And this can be seen at page  
21 8 of the Chinese Respondent's brief.

22 Could you all please comment on this claim of the  
23 Respondents?

24 MS. DRAKE: This is Ms. Drake. As an initial  
25 comment, obviously we can comment more in the confidential

1 data post-hearing, but I think when you see the degree of  
2 underselling and the pervasiveness of underselling at the  
3 same time that the Chinese producers are gaining market  
4 share at the expense of domestic producers, that's the  
5 classic kind of factual situation that the Commission has  
6 determined shows that that underselling is significant  
7 because it has had impacts on the market volume-wise and  
8 impacts on market share.

9 But in terms of the confidential analysis, we'd  
10 like to respond to that post-hearing.

11 MR. SCHAGRIN: Commissioner, Chairman Johanson,  
12 Roger Schagrin. Essentially their argument is the  
13 underselling here is so great that they must be different  
14 products because how could somebody sell something and yet  
15 you've got the samples in front of you.

16 How could someone sell the exact same product for  
17 50% less? And yet, when I was doing some kitchen  
18 remodeling down at a house in Florida, you know, we walked  
19 into this place and they got everything and they got all the  
20 slabs and you go and you give them the design, et cetera,  
21 the gentleman told me that the same slabs, the same design  
22 -- the domestic price was \$1,200 for the slab and the  
23 Chinese price for the same slab was \$400.

24 Now the first thing we want -- and they said --  
25 and they're exactly the same. So, the first thing in my

1 mind was these importers must be idiots, they could have  
2 sold it for \$600 instead of \$400, why not pocket the extra  
3 200 a slab? But the idea that they're selling so  
4 inexpensively that they can put the whole U.S. industry out  
5 of business and then say well, we sell so cheap it can't be  
6 the same product, I just don't think that makes common  
7 sense, so it's kind of a fallacious argument to begin with,  
8 it must be a different produce because it's so heavily  
9 undersold, but I think it's reflected in the amount of  
10 subsidies and dumping that Commerce found is connected to  
11 this underselling here.

12 CHAIRMAN JOHANSON: Thanks for your responses.  
13 Given the massive underselling, why are we seeing some  
14 convergence of prices or consistent pricing declines in the  
15 U.S. market? And why are the domestic prices on a number of  
16 pricing products going up?

17 MR. DAVIS: Well, I think we have seen an affect  
18 in pricing flattening in many cases, already in the channels  
19 being discounted by our partners, for sure. I think that  
20 just as you might find with the comment on commercial, the  
21 other issue is this heavy level -- they went from 5 million  
22 dollars-worth of product in 2010 to displacing 1.3 billion  
23 in 2017 or something like that.

24 The other impact in the residential market is  
25 coming. This luxury, you know, serving opportunity that we

1 built and with borne of real market-based cost, they'll  
2 penetrate that area as well. The luxury consumer  
3 residential market will accept and has begun to accept  
4 Chinese material.

5 So, as this levels out and plays out, I mean they  
6 were tripling their dumping into the country. They go from  
7 1.3 billion to 3 billion and they will, without this. Those  
8 markets will be saturated with that product and you will see  
9 the pricing degrade even further than it has.

10 It's degraded in real terms out on the front line  
11 and it's flattened in the wholesale channels that we live  
12 in, and in some cases gone down. But there's been no price  
13 increases for three years which was misrepresented in the  
14 opening statement. We sure haven't raised prices and I  
15 think you're going to see continued decline in pricing as a  
16 result of it.

17 MR. SCHAGRIN: Chairman Johanson, Roger Schagrin,  
18 I also think that the unusual situation here of there being  
19 such a gigantic price spread, doesn't give the U.S.  
20 manufacturers the normal Hobson's choice of do I, you know,  
21 cut my price and retain my volume or retain my price and  
22 lose my volume?

23 They can't cut their price to compete with the  
24 Chinese. You can see their profit margins here, it's  
25 confidential. They don't have a chance of competing with

1 the Chinese on price, so the result is that Cambria has cut  
2 back in a market -- I mean also in my years at the  
3 Commission I have never seen demand grow in a case before  
4 this Commission.

5 I mean the growth levels and consumption here are  
6 just mind boggling and yet the domestic industry's going  
7 nowhere. Instead of cutting price and maintaining volume,  
8 Cambria went from 7 days to 5 days or 4 days, and  
9 Caesarstone just announced this company on the other side is  
10 going to depend on oh, Caesarstone admits they're in the  
11 high end of the market, they sell IKEA, you know, versus  
12 Home Depot. I must have missed something, so Commissioner,  
13 we're the same age, so I mean the idea that IKEA is the  
14 luxury end of the market, I definitely -- there's something  
15 going on at Caesarstone that I can't figure out, I'll talk  
16 about it at some point I'm sure.

17 But you know, they just shut down half in a  
18 booming market. They just said we're going to close half of  
19 our operations in Georgia, so I think that's the answer to  
20 your question that the domestic industry is responding by  
21 looking forward, cutting production volumes instead of  
22 trying to reduce price.

23 MR. DAVIS: I think a further measure for you is  
24 this is still in the early stages, they have rapidly  
25 impacted this in a three year period, but the ability for

1       them to immerse into the entire market and disrupt the  
2       economics, there's still much more to come.

3               It's been impactful, it's been painful, it's been  
4       rapid, but it hasn't fully found itself in its way through  
5       the entire system.

6               CHAIRMAN JOHANSON: Thank you for your responses.  
7       Commissioner Williamson?

8               COMMISSIONER WILLIAMSON: Thank you Mr. Chairman.  
9       And I too, want to thank all of the witnesses for coming  
10      today and offering your testimony. I also want to thank  
11      Cambria for the factory tour, which was quite fascinating,  
12      even in zero degrees.

13              I wondered -- the purchasers here, I guess  
14      Palmetto International granted Busch, and Consolidated --  
15      are you all Lexus partners? Or, I think one person did  
16      identify themselves as a Lexus partner, but I was wondering  
17      about -- I forgot who it was and then about the others,  
18      okay, yeah, right. What about the others? And if it's  
19      something you'd rather not answer now you can do it  
20      post-hearing.

21              MR. CLARK: Yeah this is Kim Clark. I am not a  
22      Lexus partner.

23              MR. STEWART: And Chris Stewart, and we are not  
24      either.

25              COMMISSIONER WILLIAMSON: Okay. Mr. Marchese?

1 MR. MARCHESE: Yes, I am a Lexus partner.

2 COMMISSIONER WILLIAMSON: Okay, thank you. I was  
3 just wondering, and I'll ask some questions along that line.  
4 But before I do that, I was wondering does -- do any of the  
5 domestic producers are non-subject importers have  
6 relationships with big box stores? We talked about I guess,  
7 Caesarstone and IKEA, and I do remember redoing a kitchen in  
8 2004, and we used -- that's the first time I ever heard of  
9 Silestone because we were using the Home Depot, or their  
10 subsidiary so I followed that.

11 But what about others? Are any of them --

12 MR. DAVIS: Caesarstone and Silestone and LG have  
13 all been in the big boxes -- both Home Depot, they are now,  
14 both Home Depot and Lowe's. So, those -- Caesarstone's made  
15 substantial sales in the box markets, the home center  
16 markets and in the commercial markets at all levels, it's  
17 been a big part of their business.

18 COMMISSIONER WILLIAMSON: Okay, thank you.

19 MR. SCHAGRIN: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Yes.

21 MR. SCHAGRIN: And the Chinese products are now  
22 in those big box retailers as well, so you'll see them in  
23 aisles one next to another.

24 COMMISSIONER WILLIAMSON: Well that's not  
25 surprising.

1                   MR. SCHAGRIN: No, that's not surprising.  
2           Surprising is if they carry some non-Chinese product, but.

3                   COMMISSIONER WILLIAMSON: Okay, does Cambria  
4           limit the fabricators to which it sells its products in?  
5           And yes, how does Cambria decide whether it wishes to sell  
6           to a given fabricator, what are the criteria?

7                   MR. DAVIS: I'm sorry, could you ask that again?

8                   COMMISSIONER WILLIAMSON: Cambria limits it's  
9           fabricators to which it will sell its products?

10                  MR. DAVIS: In about 14% of the markets we have  
11           partnerships that are long-lived, like with Sam, and where  
12           these people got onboard with us early, we've stayed very  
13           loyal to them. But in about 85% of the United States, we  
14           sell in an open market without any exclusivity.

15                  In these markets where we have Lexus exclusives,  
16           it's important to note everybody in the market can get any  
17           product. They can get Cambria at the kitchen store, they  
18           can get any of these Chinese products, they can get  
19           Silestone, Caesarstone, granite, marble, any of these stone  
20           products. Our fabricator partner in an example like Sam  
21           Marchese, a Lexus partner in Omaha, he will only sell  
22           Cambria product in the market, but the market is able to get  
23           to all those products at the retail level.

24                  And again, in 85% of the nation, we do not have  
25           those Lexus partnerships. In all cases, those are



1 partnerships we've maintained out of integrity and loyalty  
2 to each other as partners in really launching this category  
3 as an infancy back in the mid-2000's.

4 COMMISSIONER WILLIAMSON: Okay, so you could have  
5 a fabricator you are working with who you permit to source  
6 product from other companies?

7 MR. DAVIS: Oh yes and we do have many of them.  
8 In fact, I think two of the gentlemen here today do so in  
9 most cases that is the case. It's only where the partner  
10 preferred the exclusivity, had earned the exclusivity that  
11 we've honored the exclusivity.

12 COMMISSIONER WILLIAMSON: Okay, have your  
13 distributions practices changed over the Period of  
14 Investigation and if so, how and why?

15 MR. DAVIS: Yes, they have in a sense that we had  
16 to put company owned distribution facilities in throughout  
17 the nation, we now have 18 of them and before this occurred  
18 we had maybe two.

19 As the result of our partners who were  
20 distributing our product with along with granite and solid  
21 surface products but when they had opportunities for these  
22 Chinese products and the low-cost material in that nature it  
23 became more and more difficult for them to really underwrite  
24 and support our product line the way we needed it to be done  
25 so we had to go in a direct fashion and build that platform

1 and that network in the past really three years throughout  
2 the United States.

3 COMMISSIONER WILLIAMSON: Okay, so does that mean  
4 there are companies that you have stopped supplying? There  
5 are specific distributors which you have stopped supplying  
6 over the Period of Investigation?

7 MR. DAVIS: That's correct.

8 COMMISSIONER WILLIAMSON: Post-hearing you might  
9 want to put how many and just a categorization of why --

10 MR. DAVIS: How many of those?

11 COMMISSIONER WILLIAMSON: Yes, this would be for  
12 posthearing I think.

13 MR. DAVIS: We've probably -- ten to twelve  
14 throughout the nation that were major distributors of our  
15 product and mostly because they couldn't support our product  
16 line at the same level and wanted to bring these other  
17 product lines on and in particular bring on the Chinese  
18 product lines to compete and obviously it made it very  
19 difficult from an economic standpoint for them to not  
20 choose the Chinese material so as a result we're kind of a  
21 has been if you will in their product offering.

22 So we made the move to aggressively get out and  
23 get control of our own point of sale so that we can control  
24 the narrative to a degree and still pronounce our product in  
25 the marketplace.

1                   COMMISSIONER WILLIAMSON: Okay, do other Domestic  
2 Producers take a similar approach to your knowledge?

3                   MR. DAVIS: I think it's a varied route to market  
4 but for the most part it's wide open on the sale of the  
5 products, wide open to distribution and wide open to where  
6 it goes in the market.

7                   COMMISSIONER WILLIAMSON: To your knowledge do  
8 other domestic suppliers or foreign suppliers have exclusive  
9 customer agreements like you do with your Lexus partners?

10                  MR. DAVIS: I don't know if they do. I know that  
11 Silestone had very specific and I don't want to define them  
12 for them but very specific partnerships with fabricators  
13 throughout the nation and had certain you know primary  
14 regard for their position in the market.

15                  COMMISSIONER WILLIAMSON: Okay, and does Cambria  
16 an exclusive relationship with builders?

17                  MR. DAVIS: No, not anything other than where our  
18 partners may have a relationship on an annual basis or  
19 something of that nature but I think very limited if at all.

20                  COMMISSIONER WILLIAMSON: Okay, do any of the I  
21 guess what we are calling purchasers want to comment on the  
22 line of questioning I've just had from your perspective?

23                  MR. CLARK: Well, and this is Kim Clark. I'm not  
24 a Lexus partner and I've been fabricating Cambria since its  
25 inception 15-16 years ago and you know when you were

1 speaking of the commercial business, it was interesting  
2 because for 15 or 16 years I've been in architects and  
3 designers' ears, often doing presentations and we're really  
4 working hard to get the Cambria name in the building and  
5 what I'm finding now is all the work that I've done has been  
6 kind of killed because the level we get the spec because our  
7 samples are in the architect's office and it's getting  
8 switched out at the millwork house.

9 So we're fighting a long battle of you know I get  
10 a phone call and they say "Kim, I really want to use your  
11 product but you're 2000 dollars too high can you drop your  
12 price. It will be on a small job and even large jobs so you  
13 know we're really getting hurt in that commercial arena due  
14 to the switching of the materials.

15 COMMISSIONER WILLIAMSON: Okay.

16 MR. SCHAGRIN: Commission Williamson, this is  
17 going to be bad news for the Commission, bad news for Mr.  
18 Davis, great news for all their lawyers on the Respondents  
19 side back there. You know we filed two more cases  
20 yesterday, but I told Mr. Davis and I have some knowledge of  
21 steel products, commodity products, how importers can  
22 switch.

23 I said Marty, welcome to the steel industry  
24 because it is just obvious that a product that was so new  
25 and unique 20 years ago just like when Steel Dynamics

1 introduced light gage material, they were the only one in  
2 the world. Now there's like 50 plants around the world who  
3 make the same thing. What starts as a very special product  
4 has now just become a substitutable commodity product and  
5 that's why the importers were able to switch.

6 They say "oh, there's such attenuated  
7 competition". And yet, wow they go from China to India and  
8 Turkey within months. How unique is this thing that you can  
9 switch and so this is becoming that way so the question in  
10 the future is do we make it in the United States at all? Do  
11 the only people make it also be big multinational importers  
12 or do we give it up.

13 COMMISSIONER WILLIAMSON: My time is about to  
14 expire but is the product from India and Turkey is that a  
15 Breton technology too?

16 MR. DAVIS: Some of that is and some of that is  
17 not. Some of it is factories that are put together and some  
18 of the Chinese are moving there now with their equipment.  
19 The interesting part of the Breton technology, I won't take  
20 long, is that the Chinese people went over to Turkey to  
21 reverse engineer this and took the Breton technology back to  
22 China and did a pretty good job.

23 It's a bit more archaic, I've seen some of the  
24 factories but it's improving rapidly and their ability to be  
25 mobile with that reverse engineered Breton technology is

1 rapidly on the move.

2 COMMISSIONER WILLIAMSON: Okay, I was curious  
3 because Turkey and India and not places we used to think of  
4 the Chinese going after we have a dumping case.

5 MR. DAVIS: We'd be happy if they put those  
6 Chinese copycat factories in Texas or Nevada then we could  
7 compete fairly. We have no problem as I mentioned. We are  
8 free traders. We cannot have free trade without fair trade  
9 and subsidized material at these levels does not allow us to  
10 compete against it if it is supplied from India, Chinese  
11 type material or in China. They also are moving it to  
12 Malaysia to get it in here right now and undercut the  
13 subsidies and the tariffs.

14 COMMISSIONER WILLIAMSON: Okay, thank you for  
15 those answers.

16 CHAIRMAN JOHANSON: Commissioner Broadbent?

17 COMMISSIONER BROADBENT: Yes, Mr. Davis. Based on  
18 information on pages 2-10-11 of the prehearing report just  
19 under half of all purchasers identified supply constraints  
20 with their suppliers. Several purchasers identified  
21 Cambria's unwillingness to supply them with slabs for  
22 fabrication due to limitations on sales in specific  
23 geographic markets. Why would Cambria limit which  
24 purchasers it sells to in specific geographic markets?

25 MR. DAVIS: I kind of referred to that a little

1 bit earlier but in some cases we have a franchise/quasi  
2 partnerships with Lexus partners for many years when nobody  
3 else would take our product they did so that's the case in  
4 some of the markets. In some markets we have fabricators,  
5 and by the way I might say the fabricator network, I've met  
6 much of it over the last 20 years, is an excellent network  
7 of hardworking, entrepreneurial good, smart people.

8 So much of the rhetoric that's been associated to  
9 me is false. But the reality is they are not the nuclei of  
10 this production and of this category. That is the  
11 manufacturing plant that makes the slabs. In some cases  
12 throughout the nation we select the fabrication partners  
13 based upon quality, service, sometimes financial capability  
14 through credit review and this type of thing.

15 It may be that we don't want to saturate the  
16 market with 100 fabricators and we might have premium  
17 fabricators that we bring on board. We have fabricators  
18 that we bring on board that over time we don't appreciate  
19 some of the performance. Just like any manufacturer that  
20 has somebody in the market representing their product we  
21 might select them out in that form.

22 It's mostly a competitive earn the product line  
23 and earn the marketplace kind of an environment but we don't  
24 block them per say. We need fabricators throughout the  
25 country. We've valued the fabricators from the beginning.

1       They've been the key to our business but in the early days  
2       as I mentioned we were the devil's muse and only certain  
3       fabricators would take quartz on and those people we've  
4       remained loyal to.

5               Some, about 15 of them have moved to split to  
6       Cambria and China and instead of 25 of those partners we  
7       have about maybe 8 or 9 now left.

8               COMMISSIONER BROADBENT: But you're saying that  
9       there are areas of the country where you only sell to your  
10      Lexus partnership. You don't sell to anyone else that  
11      didn't want to buy your product in that region.

12              MR. DAVIS: Yes, they can get our product through  
13      kitchen dealers, through builders. Everybody on the market  
14      has access to our product but those retail channels will  
15      have to buy our products in 8 or 9 markets from our local  
16      fabricator. In Omaha, Nebraska if they want to buy our  
17      product they buy it from our fabricator, from Sam Marchese's  
18      company but any of those retailers can get our product and  
19      any consumer can get our product.

20              MR. MARCHESE: This is Sam Marchese with  
21      Consolidated Supply in Omaha. I think maybe I can shed some  
22      light on how we go to market and what you may perceive as an  
23      exclusive arrangement in a controlled market environment.  
24      We have, just in our small populated state of Nebraska and  
25      Iowa, we have twelve fabricator partners that we move



1 Cambria through so we have fabricator partners that review,  
2 have a similar business philosophy and different standards.

3 They serve, for example, in Nebraska we have  
4 partners in the middle of the state because it's so vast, we  
5 have partners that service the western part of Nebraska, the  
6 central part of Nebraska. These are all fabricators  
7 independent fabricators that are a part of our collective  
8 Cambria family.

9 So the exclusivity I think is a little bit misled  
10 because we do, there are a number of fabricator partners  
11 that we have in our marketplace and I think that's true of  
12 most Lexus partnerships.

13 COMMISSIONER BROADBENT: But there's definitely  
14 people outside of the family that you're leaving out cold?

15 MR. MARCHESE: I think it's any manufacturer  
16 whether it be Casearstone, Silesstone or whatever makes a  
17 decision on who can they partner with just due to basic  
18 business philosophy. There are companies that would not  
19 sell to certain fabricators because maybe they are  
20 protecting another fabricator in that market. Just because  
21 you're sensitive to letting a fabricator have enough market  
22 share to be profitable so it's not an uncommon practice to  
23 have selective distribution.

24 COMMISSIONER BROADBENT: Does this Lexus  
25 partnership, are there areas where Lexus partners can't sell

1 other brands of quartz products, you only sell the Cambria  
2 brand?

3 MR. MARCHESE: Sam Marchese, Consolidated. We  
4 promote exclusivity because we believe in that. That's just  
5 a simple decision that we made as a company. So it's --

6 COMMISSIONER BROADBENT: What other things do you  
7 require of the Lexus partners?

8 MR. MARCHESE: If we want to select a Lexus  
9 partner, we don't ask them for this exclusivity, especially  
10 in rural communities. They have to sell multiple products  
11 to be able to sustain themselves. We just look for  
12 basically a similar business philosophy and ability to work  
13 together with somebody as a good partner. We don't look for  
14 exclusivity in those areas.

15 COMMISSIONER BROADBENT: Okay, so setting aside  
16 your sales --

17 MR. DAVIS: Commissioner Broadbent, can I just  
18 add to that? I'm sorry to interrupt you. I think just to  
19 bring clarity our Lexus partners are our local exclusive  
20 supplier of Cambria. They're our Lexus partner and I think  
21 as our lawyers indicated earlier -- slash distributor and so  
22 they manage that market in that form.

23 We do not require them not to carry other quartz  
24 products and in our own fabricator markets our installers  
25 that are our partners in the market can sell other quartz

1 products and in many cases 50 percent of their offering is  
2 non-Cambria quartz products.

3 So it's being a little spun as to how it all  
4 works and again I think it's important to know it's in less  
5 than 15 percent of the market in the country right now where  
6 we have Lexus relations and they're born of long-term loyal  
7 relationships. They're working well because they do what  
8 Sam does, they sell slabs to other partners in the markets.

9 COMMISSIONER BROADBENT: Okay. So outside of  
10 your sales, Mr. Davis, to end users, what share of your  
11 sales are made to Lexis partners and which share of your  
12 sales are made to non-Lexis partners? Are you saying it's  
13 15 percent to Lexis?

14 MR. DAVIS: I said they cover about 15 percent of  
15 the country. And, yes, it's about 15 percent of our sales.

16 COMMISSIONER BROADBENT: Okay, and that's pretty  
17 constant across the Period of Investigation?

18 MR. DAVIS: It's gone down a little, because one  
19 of our partners in the Northwest left us for, frankly, for  
20 Chinese supply.

21 COMMISSIONER BROADBENT: Okay. Would you, for  
22 the record posthearing, can you provide us a list of your  
23 Lexis partners and what markets they're covering?

24 MR. DAVIS: Sure.

25 COMMISSIONER BROADBENT: Okay.

1           Mr. Davis, the domestic industry has lost a  
2     slight amount of market share over the Period of  
3     Investigation in this environment of very rapidly increasing  
4     demand. Is it reasonable that the domestic industry, or  
5     any supplier, should have expected to increase its sales at  
6     the same pace as apparent consumption, given the size of the  
7     growth in this market? Do you think you should have gotten  
8     all that growth?

9           MR. DAVIS: I think we should have been able to  
10    fairly compete for it. Does that answer your question?

11          COMMISSIONER BROADBENT: Well I'm just wondering,  
12    you know, if the market's growing do you deserve to get all  
13    of it?

14          MR. DAVIS: You have to earn it. You bet.

15          COMMISSIONER BROADBENT: Okay.

16          MR. SCHAGRIN: Commissioner Broadbent, Roger  
17    Schagrin. It wouldn't be like it would be guaranteed for  
18    Cambria, but I think one of the questions here, if the  
19    market grew by 200,000 square feet, and the U.S. industry's  
20    capacity could only supply 100,000 square feet more, then  
21    obviously the U.S. industry couldn't capture that 200,000  
22    square feet because it wouldn't have the capacity. But I  
23    think what's striking on the record here is that during the  
24    Period of Investigation in which demand was increasing so  
25    rapidly is that the U.S. industry's capacity utilization

1 decreased.

2 And that clearly shows that they were losing  
3 share of the growing market.

4 MR. DAVIS: If we'd been able to go compete for  
5 that growth, both Caesar Stone, LG, and Cambria would have  
6 more factories in this country today. We'd have seven or  
7 eight lines instead of five. Caesar Stone set up that plant  
8 for four lines. They built two and just shut one down.

9 And LG is adding a line, I would argue, to  
10 replace their Chinese-imported material that has now been  
11 disrupted by this proceeding.

12 COMMISSIONER BROADBENT: Well, in your prehearing  
13 brief you've indicated on page 48 that you were able to  
14 increase prices every year for the last 15 years. Then it  
15 states in January 2017 you weren't able to increase prices  
16 and you had to wait until July 2017 to do so.

17 Usually we see pretty tough pricing in these  
18 markets, and I guess I'm just kind of questioning whether  
19 it's reasonable that you should expect to be able to  
20 increase prices every single year for 15 or 16 years.

21 MR. DAVIS: We didn't increase pricing every year  
22 for 15 or 16 years. But as--

23 COMMISSIONER BROADBENT: It doesn't say that in  
24 your brief?

25 MR. DAVIS: No, I mean we didn't--not each and

1 every year. I'd have to see the context of it. But we  
2 changed designs and added new designs that were luxury in  
3 nature. They were more expensive to make. And then we  
4 priced those in a different category. But we've never been  
5 able to cost-price the product line when we got into the  
6 business, so we under-priced the market until we developed  
7 the aesthetic and the performance and the service that  
8 ultimately earned us the market position. And we grew our  
9 investments in innovation, and that's the way business  
10 works.

11 So we had to price in a market-based position in  
12 the marketplace throughout that. And it's a very  
13 competitive marketplace. Without the Chinese supply, it's  
14 been a very competitive marketplace.

15 We were the third brand in, really, and it  
16 continues to be competitive, and it will continue to be  
17 competitive and grow. So the pricing is set by the market  
18 quite well.

19 COMMISSIONER BROADBENT: Okay. My time has  
20 expired.

21 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

22 COMMISSIONER SCHMIDTLEIN: Okay, I want to go  
23 back a little bit to this argument about market  
24 segmentation. And, Mr. Davis, you said a few minutes ago  
25 when you were discussing your experience in the market and

1 the Chinese penetration of the commercial or builder's side  
2 of the market, and you were talking about the residential  
3 side, I believe, and you said something along the lines of  
4 we're in the early stages here. We're in the beginning.  
5 But they're going to penetrate that as well.

6 And so my question is: Have you already seen  
7 inroads into the residential side by subject imports? Or  
8 has it mostly been on the commercial builder/developer?

9 MR. DAVIS: No, I--yes, they have been. They've  
10 entered and permeated the residential space. I can't tell  
11 you what percentage. The debate was over on this commercial  
12 side as if it's a sector we shouldn't play in, which is  
13 absurd, frankly, but it's there in every part of the market.  
14 The market isn't like segmented to them. And there are  
15 many, many consumers in this country that in the last year  
16 put in Chinese quartz services in their single-family home.

17 What I was suggesting is that we--we earned that  
18 market on performance over granite, and displaced granite.  
19 That effort--you know, commercial has sometimes a 6- to  
20 12-month lead time from the time you spec products till the  
21 time the project comes to fruition. So there's some lag  
22 there.

23 But that same dynamic will occur and has  
24 occurred, as Kim described, where we can win the market on  
25 the commercial side, and have, against inferior performing

1 stones like marble and granite, but when quartz entered into  
2 it from China, it took it to an economic equation. And it  
3 was pretty much over for us to come in there and compete as  
4 we had done on the residential market.

5 The Chinese product is everywhere. It's in  
6 kitchen and bath dealers throughout the Nation. It's in  
7 architect firms. It's in millwork houses. It's everywhere.  
8 And it's competing with us everywhere. And it already has  
9 displaced substantially our residential positions, for sure.

10 We're able to maintain those a little bit longer  
11 because it's less of a bid process in what a commercial is.  
12 So the dynamics are different. But to survive, and to grow,  
13 and to be what we have always been about as a manufacturer  
14 and a brand provider, we have to succeed in all those  
15 markets.

16 That's why we laid out a plan for the growth we  
17 had in place to satisfy those markets, and that's why our  
18 competitors were doing the same thing.

19 COMMISSIONER SCHMIDTLEIN: Are there certain  
20 designs that are more predominantly used in the  
21 builder/commercial side than in the residential side? Or  
22 are they same? Or do you find that the specialty designs  
23 are sort of a small part?

24 MR. DAVIS: I think it's pretty diverse. If  
25 you're talking about--if you just break down a hotel, or a



1 large-scale commercial project, the lobbies might have the  
2 more higher design aesthetic, and in some other areas they  
3 might have a more monochromatic look around the vanity--300  
4 vanities in a hotel, or that type of thing. But we just did  
5 a hotel in Minneapolis because we had a relationship with  
6 the owner. We did 320 rooms and they did a high-end looking  
7 design in our Ella product in it.

8           So I think the answer is diverse, and they'll use  
9 the product as the designer and architects see fit. And  
10 they're highly valuing the marble collections out in the  
11 marketplace today, and more of the white products. And I  
12 think that the use is very diverse across the whole  
13 spectrum.

14           COMMISSIONER SCHMIDTLEIN: So--and this might be  
15 a question for the lawyers--in terms of the pricing products  
16 where we have white--you know, two of them are plain white  
17 quartz surface products, no visible particle specks, chips,  
18 or crystals. You know, where are those types of products  
19 going, where it's literally just solid white?

20           MR. DAVIS: Yes, that happens. That happens,  
21 yes. It can go commercial and residential.

22           COMMISSIONER SCHMIDTLEIN: And residential?

23           MR. DAVIS: Yeah, and those products often are  
24 more--not less expensive to make because of the quality of a  
25 white product, and the integrity of that product remaining

1 white. So monochromatic white is still, you know--

2 COMMISSIONER SCHMIDTLEIN: Popular?

3 MR. DAVIS: Yeah.

4 COMMISSIONER SCHMIDTLEIN: Okay. So I was just  
5 trying to get a sense of whether when we look at the pricing  
6 products do you see any breakdown there that aligns with,  
7 you know, builder/developer versus residential kitchen/bath.

8 MR. DAVIS: Yes. The market has group pricing,  
9 and in it we have two-tiered pricing in our company. We  
10 were in the process of moving to a more multi-faceted tiered  
11 pricing when this all began.

12 Our competitors have multi-group pricing. They  
13 might have five different groups of pricing. And that's  
14 based on some of the more--if I dare say--vanilla design  
15 products that were the early quartz designs before we  
16 developed the technology to make these aesthetic  
17 stone-looking products, if you will, the high movement  
18 products.

19 So there's category pricing in there, and it's  
20 within a realm and a range that's still based on, frankly,  
21 competition and a fair and free marketplace.

22 MS. SHULT: Commissioner Schmidtlein, this is  
23 Rebecca Shult. On the pricing product question, all six of  
24 the pricing products listed in the report here are used in  
25 both residential and commercial type projects. They are not

1 segmented out. They're all used in all.

2 COMMISSIONER SCHMIDTLEIN: Okay, yeah, that's  
3 what I took from his answer.

4 Okay, do you agree that there's a seasonality to  
5 this product? In other words, that you see an increase in  
6 the warmer months when construction picks up?

7 MR. DAVIS: I would put it, we found it to be  
8 more around the holidays, in December and January. And  
9 we've tried to identify that difference--

10 COMMISSIONER SCHMIDTLEIN: Why is that?

11 MR. DAVIS: Probably because people--you have to  
12 measure, and install, and be in people's homes in those  
13 periods of time, and we've always seen that drop off on both  
14 on a retail basis and a--

15 COMMISSIONER SCHMIDTLEIN: So it goes down in  
16 December and January?

17 MR. DAVIS: --also, but, yes.

18 COMMISSIONER SCHMIDTLEIN: I just thought you  
19 meant it went up.

20 MR. DAVIS: And then there could be the year-end  
21 inventory position part that contributes to that. But we've  
22 seen December and January, year over year, fairly flat.

23 COMMISSIONER SCHMIDTLEIN: Okay. Alright.  
24 Something else you said that I thought--that peaked my  
25 interest was, you were talking about that there could be

1 discounting out in the channels by your partners, right? So  
2 one question I had for you as a CFO I guess is, how does the  
3 negotiation in pricing work between you and your partners?

4 And this also sort of dovetails with a question  
5 about you say you have 50 people who are dedicated to the  
6 commercial side, and I'm wondering what are they doing?  
7 Because you're selling mostly slabs to fabricators who are  
8 then turning around and selling them.

9 So do you have fabricators that are just devoted  
10 to commercial? How do you negotiate the price with them?  
11 Are they putting pressure--are they putting pressure on you  
12 to lower the price because of the competition they have with  
13 the imports? I know that's sort of a lot, but do you see  
14 where I'm coming from here?

15 MR. DAVIS: Yeah, I got where you're going.  
16 Yeah, we set our price annually. And we look at increases  
17 every one or two years. We haven't increased it in recent  
18 years. They--and usually it's a function of new designs  
19 that we brought out that create more value in what we're  
20 trying to do.

21 But we set a price with them on kind of a  
22 wholesale basis, and then they mark--they price in the  
23 marketplace through competitive realities of the  
24 marketplace. And, yes, they do come to us and have asked us  
25 to reduce our price. They've begged us not to raise it in

1       these times, and asked us to reduce it throughout the  
2       process.

3               COMMISSIONER SCHMIDTLEIN:  And so you say you set  
4       price on an annual basis?

5               MR. DAVIS:  For the most part that's true.

6               COMMISSIONER SCHMIDTLEIN:  For the most part.  So  
7       you wouldn't be making adjustments to that until the  
8       following year, based on feedback you're getting?

9               MR. DAVIS:  Yeah, and we've done it, sometimes  
10       it's been an 18-month period.  We're talking to our partners  
11       about the market and that type of thing.  Over the years,  
12       that's how we've done it.  And it's not that sophisticated.  
13       We're just talking to our partners about the market  
14       condition, talking to them about our costs, and if they've  
15       changed or increased, what we've invested, and this type of  
16       thing.  And then we'd set a price with them.  And then that  
17       price holds.  And then they take that and convert it into  
18       the market through their labor, fabrication, and  
19       installation costs, and they price into the market.  And  
20       they have come back.  Sam has, for one, and said can you  
21       reduce the price?  And we've been able to show him what our  
22       costs are on the product, and so it's pretty open with them.

23               COMMISSIONER SCHMIDTLEIN:  Can you speak to the  
24       50 people you have who are dedicated to the commercial side?

25               MR. DAVIS:  Yeah, they're not--their time is

1 spent with architects and designers in the commercial space,  
2 and millworkers. And that kind of a thing. That--

3 COMMISSIONER SCHMIDTLEIN: You're not selling  
4 directly to those people? You're trying to get them--

5 MR. DAVIS: They're trying to gain specs for our  
6 product.

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. DAVIS: And we've been in that business since  
9 2007-08. We used to have a partner, Wilson Art, who did  
10 that. They had 70 spec reps out moving our product through  
11 commercially. When we separated from them, we put our own  
12 reps on the ground. And so we've had spec reps, commercial  
13 reps in the marketplace, since 2009 in a heavy manner. And  
14 they're calling on that commercial channel every day.

15 COMMISSIONER SCHMIDTLEIN: And has the number  
16 roughly stayed the same since that time?

17 MR. DAVIS: No, it's grown.

18 COMMISSIONER SCHMIDTLEIN: It's grown?

19 MR. DAVIS: And it's proposed to grow right now.  
20 We've actually held back. But our management would like to  
21 put another twenty-five people out in the field, and they've  
22 tried to do that for the last couple of years. In our  
23 company, our hiring has had to be very selective as we've  
24 looked at it.

25 And it's a bit of a double-edge sword, because we

1       need the people out there to create the demand, but we're  
2       creating a demand in a marketplace that's unknown as to  
3       these economics, and then -- you can have four hundred  
4       people out there, if China's one-third your price, you're  
5       not getting the spec.

6               COMMISSIONER SCHMIDTLEIN:   Okay.

7               MR. MEISNER:   And Commissioner Schmidtlein, this  
8       is Luke Meisner.   I know you asked before, you know, where  
9       is there evidence in the record of this type of competition  
10      occurring in the commercial segment, and we can provide you  
11      more if that's useful.   But if you look at Exhibit 7 of our  
12      prehearing brief, which is also discussed on Page 41, that  
13      involves a commercial sale, it involves, you know, without  
14      disclosing too much proprietary information, it involves a  
15      sale attempted to be made by a commercial sales manager at  
16      Cambria for a commercial product.   And they had it spec'd  
17      out.

18              Cambria was close to closing the deal and then  
19      another importer came in and stepped and said that it was  
20      going to supply a design that was basically an imitation of  
21      a Cambria design, but for a lower price.   And so Cambria  
22      lost a commercial sale to a Chinese import because of price.  
23      And, you know, this is just one of many, many examples.   But  
24      I think it's a very solid one.

25              COMMISSIONER SCHMIDTLEIN:   Okay, all right.

1 Thank you.

2 CHAIRMAN JOHANSON: Commissioner Kearns.

3 COMMISSIONER KEARNS: Thank you. I've got a lot  
4 of questions. I guess the first few, I'm hoping to get  
5 through pretty quickly. First, for the fabricators out  
6 there, if you all haven't submitted responses to our  
7 questionnaires, can you please do so? I don't believe -- we  
8 may not have responses from you all.

9 Also, on pricing, I think Commissioner Broadbent  
10 raised questions about when you plan to see prices. Because  
11 I think Page 48 of your brief, you say over the past fifteen  
12 years, Cambria was able to raise its prices annually on a  
13 consistent and regular basis, based on increased demand,  
14 etcetera.

15 So can you just, post-hearing, let's get a lot of  
16 clarity on exactly what your price increases have been in  
17 the past, how much they were, how frequent they were.  
18 Because I think here, the suggestion was, it's been in the  
19 brief, it's been annual and then during the POI, we had to  
20 do it in eighteen months, but I think, Mr. Davis, you  
21 suggested that may not have been the first time that it was  
22 just eighteen months. So, some clarity there would be  
23 helpful.

24 Also, just to clarify again, I think, Mr. Davis,  
25 I think in response to a question I had earlier, I thought



1       you had sort of suggested that the costs involved with  
2       producing this movie, that those had been incurred all  
3       before the POI, but I think we have -- I'm curious how that  
4       -- is that consistent with what we're seeing in--I think  
5       it's in our staff report and this is proprietary--but  
6       there's Footnote 15 on Page 620, and I just wanna know, sort  
7       of, when those costs were incurred in connection with the  
8       movie. I don't know if you all have a second to talk about  
9       that now, that'd be helpful, I guess.

10               MR. DAVIS: We did the movie, I think, in '14,  
11       '15 and '16. And whether or not they're amortized in the  
12       financials, I don't know. But we can clarify that for you.

13               COMMISSIONER KEARNS: Okay.

14               MR. DAVIS: And as I suggested, our total  
15       marketing budget is pretty minimal.

16               MR. MEISNER: I think Cambria's CFO may be able  
17       to have a little more detail on that, and if he's  
18       comfortable discussing it now or post-hearing.

19               COMMISSIONER KEARNS: That'd be great, now.

20               MR. WARD: Jim Ward. The movie investment was  
21       incurred '15 and '16 and expensed in the records in '16.

22               COMMISSIONER KEARNS: Okay, only '16? Not beyond  
23       '16?

24               MR. WARD: Correct. We had some marketing  
25       expenses when we did the limited launch that Marty mentioned

1 earlier, in '18, early part of '18, that we incurred when we  
2 did that launch. But the actual investment to produce the  
3 video was in '15 and '16, but expensed in the records in  
4 '16.

5 COMMISSIONER KEARNS: Okay, thank you.

6 MR. MEISNER: This is Luke Meisner. One quick  
7 thing to mention there. And Mr. Davis touched on this. You  
8 know, there was expenses that were incurred to produce the  
9 movie, but then to use the movie as a marketing tool,  
10 there's also launch expenses. There were a small amount of  
11 those towards the end of the POI, but as Mr. Davis  
12 mentioned, those were pulled back. Cambria was not able to  
13 use the movie effectively like it had planned to, because to  
14 use it effectively would incur additional launching  
15 expenses. That's why it's been pulled back.

16 COMMISSIONER KEARNS: Okay, thank you. Anything  
17 more you can tell us about those costs by year, so that we  
18 have a better sense of how they affected your bottom line.

19 And then more generally, you know, I'm looking,  
20 I'm trying to evaluate impact here. And on a few of these  
21 factors, and I think y'all had a slide that showed downward  
22 trends on a number of different things. But I'm looking at,  
23 for example--and this is, again, of course, the industry as  
24 a whole, not just Cambria--but you know, one thing we see  
25 is, there's a decline in operating income for the industry

1 as a whole.

2 It doesn't seem to me that you can really  
3 attribute that to subject imports. At least not most of  
4 that. You know, given that we have sales volumes  
5 increasing. So if you can answer either now or  
6 post-hearing, how I can sort of see injury from subject  
7 imports from the decline in operating income.

8 And then related to that, we just spoke a moment  
9 ago about capacity utilization also in a downward trend.  
10 But how am I supposed to evaluate that, given that domestic  
11 production has increased over the POI? So if you could help  
12 me understand that.

13 And then, also, again related to the other two,  
14 you all spoke a minute ago about reduction in employment for  
15 Cambria and moving from a five-day-a-week work schedule from  
16 a seven-day, but again, given that what we're seeing for the  
17 industry as a whole in terms of production, help me evaluate  
18 those things. So if you can speak to that now, that'd be  
19 great, but also post-hearing.

20 MS. DRAKE: Commission Kearns, this is Elizabeth  
21 Drake. I would just say that I think the answer to most of  
22 those questions has to do with looking at industry trends in  
23 the context of the explosive growth in demand. And we can  
24 try to quantify that, that what was the lost opportunity due  
25 to the even more rapid increase in imports post-hearing.

1           COMMISSIONER KEARNS: Okay, but when you say lost  
2     opportunity, is it not so much that, that you all are saying  
3     subject imports are causing, for example, operating income  
4     to decline, it's just that you would expect operating income  
5     to be much higher, but for subject imports?

6           MS. DRAKE: Well, I don't think that we would  
7     expect it to decline, but for subject imports when demand is  
8     going up so rapidly. I mean I don't have a number to say  
9     for you about how much we can say it's definitely due to  
10    subject imports, but even those sales volume went up, it  
11    went up less than demand, and because unit values are going  
12    down, you had an adverse impact on sales revenue, which does  
13    flow through to --

14          COMMISSIONER KEARNS: It does, although the unit  
15    values don't -- the decline doesn't seem to really account  
16    for the decline in the operating income.

17          MS. DRAKE: Understood. So we'll do the numbers  
18    post-hearing.

19          MR. MEISNER: We have a little bit of response  
20    from Cambria's CFO that we would wanna make sure you hear  
21    now and we'll get into it more post-hearing.

22          COMMISSIONER KEARNS: Right, I appreciate that.

23          MR. WARD: Jim Ward, Cambria. Through '17, '18  
24    and '19, like I testified earlier, Cambria's sales were  
25    flat. Our production -- and during that period of time, we

1 further implemented--and I think Marty testified earlier to  
2 this--the distribution strategy where we put sixteen new DCs  
3 into the marketplace and each one of those DCs takes a  
4 certain amount of inventory. So our production was -- our  
5 sales are flat, our production increased, but it was to  
6 produce inventory to put out into the DCs.

7 COMMISSIONER KEARNS: Okay.

8 MR. WARD: So you have some of that occurring.

9 COMMISSIONER KEARNS: That's helpful. Thank you.

10 MR. SCHAGRIN: Commissioner Kearns, Roger  
11 Schagrin. I think one of the things you'll see in this  
12 record, we're arguing both, not only did operating income  
13 actually decline during the period of soaring demand and  
14 higher production for the industry as a whole, but the  
15 reason for that decline is, I think you can see that just,  
16 in terms of the trends, costs were increasing, but selling  
17 prices were flat.

18 And that's both, you know, for everyone in  
19 American industry. I mean, some of it's raw materials, some  
20 of it's employment and healthcare costs, and some of it's  
21 freight costs, and so you definitely have a squeeze between  
22 the increasing costs of goods sold and flat selling price or  
23 revenues, resulting in decreasing operating income.

24 And for Mr. Dougan's correlation causality  
25 argument, it's all confidential, but the little change in

1 interim '18 is all just a decision by one multi-national  
2 company about switching things around. And we explained  
3 that confidentially in our brief. So nothing breaks the  
4 impact of the Chinese on the domestic industry throughout  
5 the period of investigation.

6 COMMISSIONER KEARNS: Okay. Again, and you can  
7 just tell me post-hearing brief if I'm wrong about this, but  
8 what I'm seeing is, AUVs are going down a little bit. Costs  
9 of goods sold are going up a little bit, so there is  
10 something to what you're saying cost-price squeeze  
11 potentially. But that doesn't come anywhere near describing  
12 why operating income is declining as much as it is.

13 MS. DRAKE: Ms. Drake again. Just real quickly,  
14 and the respondents make a lot out of the increase in SG&A  
15 expenses, which is obviously where a lot of that difference  
16 is. But that increase in SG&A expenses is precisely because  
17 of these efforts to do more direct DC distribution in an  
18 effort to compete with imports. So those costs are  
19 import-competition costs for Cambria to go directly out into  
20 the market itself because the distributors they had been  
21 working with, had left to go take Chinese products. So  
22 that's why those costs increased.

23 COMMISSIONER KEARNS: Okay, thank you. And a lot  
24 more on that in the post-hearing would be helpful, too,  
25 because, you know, what I'm hearing on the other side is,

1 first of all, I believe this is SG&A, this is really because  
2 of the cost of the movie, and you all have this distribution  
3 system that's super exclusive and that's what this is about,  
4 so if you can respond to that.

5 MR. SCHAGRIN: And that's why we call them  
6 fabricators, Commissioner Kearns.

7 COMMISSIONER KEARNS: Okay. You already used the  
8 joke, Mr. Schagrin, so you can't use it twice.

9 MR. SCHAGRIN: I'm old.

10 COMMISSIONER KEARNS: All right.

11 MR. SCHAGRIN: I can't -- tell them please don't  
12 expect to have a new joke at my age.

13 COMMISSIONER KEARNS: All right, my time's up.  
14 Thank you.

15 CHAIRMAN JOHANSON: Two domestic slab producers  
16 have expanded or built additional facilities during the  
17 period of investigation, those being Caesarstone and LG,  
18 while two other domestic slab producers came online in the  
19 past few months, Daltile and USA Quartz.

20 So there are now five domestic slab producers  
21 when you include Cambria. And four have expanded or started  
22 production during the past three years. How does this  
23 demonstrate a slab-producing industry that has been injured?  
24 Aren't these signs of improvements in the domestic industry?

25 MR. DAVIS: The Caesarstone investment in the

1 U.S. was made before this occurred. And as you heard, they  
2 haven't gotten that thing going and they've shut half of it  
3 down now this last week. Mohawk was a heavy importer from  
4 China. I was talking to them throughout the process. I  
5 have a good relationship with them. Daltile is their market  
6 brand. And they had that -- this takes about -- you've  
7 gotta order this equipment two years before it's gonna  
8 operate, and you have to be in the process of buying it  
9 about a year before and designing and so forth.

10 It's about a three-year process to get this  
11 equipment designed, ordered and installed. So I think--I  
12 know in Mohawk's case--they were gonna replace their Chinese  
13 supply, they were gonna pivot away from that and use it as  
14 an augments to their market and get their own base  
15 production, and Caesarstone was in before this occurred and  
16 regrets very much building their factory here, has told me  
17 directly they shouldn't have done it. I can't speak to LG,  
18 other than I know that they're gonna have to replace their  
19 Chinese supply if these preliminary findings are confirmed.

20 MR. SCHAGRAN: Chairman Johanson, Roger Schagrin.  
21 I think it's great. I think as Mr. Davis testified to, your  
22 lead times are two to three years. So the fact that after  
23 this product is introduced into the market and slowly saw  
24 growth that it began to skyrocket over the last several  
25 years, led people to make a business investment decision,



1 "We should invest in the United States and make this product  
2 where it's consumed." So that's good and you have to debate  
3 whether that's a sign of injury or noninjury.

4 I think the key thing is the results from these  
5 operations. What's clear--and Caesarstone is the prime  
6 example--here's someone who made plans for investments  
7 before the POI, made investments during the POI, and at the  
8 tail-end of the POI, is shutting half of their facility  
9 down.

10 And I would say, without any doubt, you look at  
11 the growth of imports from China and the underselling by  
12 China and their ability to penetrate all aspects of this  
13 market, this will be like the steel industry if you don't  
14 stop this now, within two to three years, all these plants  
15 will be shut down. It doesn't matter that they're new.  
16 They'll all be shut down.

17 And the people who are doing this, someone like  
18 Mohawk who says, I'd like to build something here if I can't  
19 buy dumped Chinese, or this is growing. If they start a  
20 facility here, but can still buy Chinese for half of their  
21 production costs, what are they gonna decide to do with  
22 their big distribution? I mean Mohawk is in every aspect of  
23 your home and kitchens with floor tiles and these kinds of  
24 products, they'll decide to import instead of making it.  
25 It's a smart business decision for a big company.

1           So it's a mixed bag. I, as somebody who likes  
2     manufacturing in America, I think it's great that people are  
3     investing and we should enforce our trade laws and allow  
4     these people to invest and hire new workers here.

5           MR. DAVIS: I think it's an important point to  
6     note, we were within months of being in the same position as  
7     those other companies that built factories here. We almost  
8     built two more lines because of the same thing they were  
9     seeing before this happened. We recognized the circumstance  
10    and withdrew and pulled back.

11          And so I think the fact they built these plants  
12    over the last four years, or put them into their working  
13    business plans, does not surprise me. I think the reality  
14    of today is difficult for all involved. And we were  
15    fortunate enough to catch it before we had activated our  
16    plants. We were very, very close.

17          CHAIRMAN JOHANSON: Thanks for your responses.  
18    With the RISI chart of two new slab-production facilities  
19    and a further expansion by another domestic slab producer  
20    expected for later this year, how do increases of demand,  
21    production of capacity correspond with the making of a  
22    threat finding?

23          MR. DAVIS: Can you ask -- I'm sorry, can you ask  
24    that again?

25          MS. DRAKE: Elizabeth Drake, Chairman Johanson.

1       It actually makes the industry more vulnerable to threat,  
2       that they have these new facilities that they have just  
3       invested in, that they're hoping to bring online. They've  
4       got more start-up costs. They've got more on the line,  
5       basically with the outcome of these cases.

6               So if the outcome is negative and Chinese imports  
7       continue to increase at the same rapid rate that we've seen  
8       during the POI and at the same low prices that puts those  
9       new facilities in some ways the most vulnerable of all of  
10      them to threat of further injury in the imminent future.

11             CHAIRMAN JOHANSON: But the industry appears to  
12      be growing.

13             MR. DRAKE: It is growing because demand is  
14      growing, and there are a number of cases where the  
15      Commission has looked at industries that have added capacity  
16      or added facilities, the cases on cold-rolled steel, cases  
17      on OCTG, we can go through additional cases in our  
18      post-hearing brief.

19             But of course, the domestic producers would seek  
20      to expand to take advantage of rising demand, but if relief  
21      is not provided, then those will just be facilities that  
22      aren't able to fully produce and they'll be the next  
23      Caesarstones if we don't get relief.

24             CHAIRMAN JOHANSON: Thank you.

25             MR. MEISNER: And Commissioner Johanson, let me

1 just add a little bit more color there on the issue of  
2 Caesarstone. Because, you know, while there are some  
3 domestic producers that are expanding, Caesarstone just  
4 announced last week that it was laying off over 100  
5 employees in its company and it was shutting one of its two  
6 production lines, so it's decreasing its capacity.

7 And on this question of whether or not  
8 Caesarstone competes with the Chinese, I know the  
9 respondents have made a lot about one statement by their CEO  
10 in a recent earnings transcript call, but if you put that in  
11 context and if you read it together with some of the other  
12 statements that Caesarstone has made, for example, in its  
13 2018 annual report, it's very clear that Caesarstone does  
14 believe it has been impacted by Chinese imports.

15 For example, in its 2018 annual report, it's  
16 speaking about Chinese imports, it says, "if the amounts of  
17 these low-priced imports increase, our sales could decline.  
18 In addition, sales of these low-priced imports may  
19 negatively impact our pricing." And then it also talks  
20 about the critical circumstances. It says, "the imposition  
21 of AD/CVD orders may lead Chinese exports to redirect their  
22 products into other markets in which we operate, thereby  
23 adversely impacting our operations and financial results.  
24 In addition, imports of lower-priced Chinese products into  
25 the U.S. has increased significantly after the announcements

1 of the preliminary determinations and the large build-up of  
2 inventory will continue to compete with our products in the  
3 near future," so Caesarstone absolutely believes that it  
4 competes with Chinese imports and it's prepared to offer  
5 some clarifying statements on this issue in post-hearing.  
6 But I think the closure of one of Caesarstone's production  
7 lines is powerful evidence on this point.

8 CHAIRMAN JOHANSON: Thank you, Mr. Meisner and  
9 other. On Page 57 of its prehearing brief, Cambria alleges  
10 that subject imports prevented the domestic industry from  
11 taking full advantage of the strong demand conditions in the  
12 U.S. market. Does this assertion apply to other domestic  
13 slab producers?

14 MR. DAVIS: Yes, it does.

15 CHAIRMAN JOHANSON: Okay.

16 MR. SCHAGRIN: Chairman Johanson, just to clarify  
17 as Mr. Davis just testified. So for them, they were about  
18 to add two more production lines with an investment of \$150  
19 million. So the increase in imports from China prevented  
20 them from making investments, take advantage of the growth  
21 in demand. Obviously, other companies who made investment  
22 decisions prior to Cambria's decision not to make this  
23 additional investment, had already committed to investments  
24 in this market because of the growth in demand.

25 MR. DAVIS: Mohawk put a line in because they

1 built up a market for their Daltile quartz with Chinese  
2 supply. So they're not banking on new demand or growth.  
3 They certainly would be with Line 2, Line 3 and this type of  
4 thing. But, for them initially it was a replenishment of  
5 existing position they had built with Chinese supply.

6 I, in very direct talks with them, warned them  
7 that their economics of their new factory in Tennessee are  
8 gonna be very different than the economics of their  
9 purchased product from China and I think that's bearing out  
10 for them.

11 MR. MEISNER: And one last point. I promise to  
12 be brief. I know if you look at the interim 2018 data, in  
13 terms of production and sales, there's some very strange  
14 things going on, and we discussed that already in our  
15 prehearing brief and we can also do it in our  
16 post-conference brief.

17 But there's some unusual things going in the  
18 interim 2018 period and you have to look at all of the  
19 different exports, domestic shipments, U.S. shipments, other  
20 shipments, to understand what's happening there. And I  
21 think when you understand some of the decisions that were  
22 made by the domestic producers and you look at the data as a  
23 whole, it shows that yes, Cambria was not the only domestic  
24 producer that lost an opportunity to take advantage of the  
25 growing demand conditions.

1                   CHAIRMAN JOHANSON: All right. Thank you for  
2 your responses. Commissioner Williamson.

3                   COMMISSIONER WILLIAMSON: Thank you, Mr.  
4 Chairman. Commissioner Kearns had already gotten to this  
5 question of SGA expenses. And this is Table 6-7, so  
6 post-hearing, I just hope that when addressing those  
7 questions, you go into, if there are other differences  
8 between the cost of different domestic producers and SGA's  
9 expenses and all.

10                  MR. SCHAGRIN: We'll do that post-hearing,  
11 Commissioner.

12                  COMMISSIONER WILLIAMSON: Thank you. You  
13 estimate the value added by fabrication at Page 28 of your  
14 brief. Do you argue that these figures are not significant?  
15 Does it matter the slabs are not useful goods until  
16 fabrication?

17                  MS. DRAKE: Commissioner Williamson, this is  
18 Elizabeth Drake. There have been other cases where there  
19 are products that in the kind of upstream form have no use  
20 except for being transformed into a downstream form. So  
21 there was a case on salmon where the scope covered both the  
22 huge piece that comes off the salmon and also the small  
23 filets that are cut. And they had to decide whether or not  
24 the filet cutters were a part of the domestic industry.  
25 And, of course, no one buys--well, I don't buy--a huge side

1 of salmon.

2 COMMISSIONER WILLIAMSON: No.

3 MS. DRAKE: I buy the filets that my family can  
4 eat. Right?

5 COMMISSIONER WILLIAMSON: Yeah.

6 MS. DRAKE: And so, and they said there, "Well,  
7 it actually does add a lot of value, because it makes it a  
8 consumable product." But they also looked at the costs,  
9 what costs were associated in the different stages. And I  
10 think they looked at that together with all the other  
11 factors, but not any one factor as determinative and found  
12 that those filet cutters did not perform sufficient  
13 production-related activities to be included in the  
14 domestic industry.

15 So I think if you look at the fact that most of  
16 the value comes from the slab, especially after you account  
17 for yield loss. And, you know, they're put together with  
18 investment, with technical expertise, with the part sourced  
19 in the U.S. and all of those other factors. The fact that  
20 there is more value in a final consumer product than in the  
21 upstream product shouldn't be enough to say that those  
22 stand-alone fabricators themselves are also part of the same  
23 domestic industry as the integrated producers. But again,  
24 as we said before, if the Commission includes the  
25 fabricators, we still believe the record supports an



1 affirmative injury finding.

2 COMMISSIONER WILLIAMSON: Okay, so essential part  
3 of the process, but you don't wanna say, be included.

4 MS. DRAKE: It's just the amount of value that's  
5 added compared to the upstream product. That all of the  
6 essential physical characteristics are defined in the  
7 upstream product, all of the real technology is there.

8 COMMISSIONER WILLIAMSON: Good, thank you. Is it  
9 appropriate to include installation costs? Why or why not?  
10 To include installation costs when calculating the value  
11 added by fabricators.

12 MS. DRAKE: No, it's not appropriate to include  
13 installation costs. Those are separate from the cost of  
14 actually producing the fabricated product. Installation is  
15 an "after" service. There is some, obviously, the measuring  
16 that takes place before the slab is cut into its final form.  
17 But all of those installation costs are completely separate  
18 from just manufacturing the fabricated product.

19 So it's really more helpful to think of it as the  
20 imports that are coming in, in fabricated form. Those don't  
21 include installation costs and those unit values. I mean  
22 it's kind of surprising when you look at the unit values of  
23 the fabricated product from China and how low they are  
24 compared even to the slabs from China. But that doesn't  
25 include installation costs and it shouldn't on the domestic

1 side either.

2 COMMISSIONER WILLIAMSON: Okay. Thank you.  
3 You've kind of already referred to some previous cases. But  
4 I guess respondents referred to various cut-to-length  
5 investigations that support for including fabricators. In  
6 post-hearing, could you compare and distinguish those cases?

7 MS. DRAKE: Yes, we'd be happy to do so. I would  
8 note that one of the briefs talks a lot about the solar  
9 case. That one no one contested that the module producers  
10 should be included and the module producers relied  
11 predominantly on domestic sales. All of the cases that they  
12 cite have key distinguishing characteristics. And a lot of  
13 those cases, if you actually read them, you know, it's a  
14 very short paragraph where the Commission says, "No one  
15 contested this on balance, we don't care." This is a very  
16 different case.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. SCHAGRIN: Commissioner Williamson, one thing  
19 I'd like to add in the context of these other cases is that,  
20 if you look at the plate cases, cut-to-length lines, number  
21 one, they're \$20- to \$30 million each. Yes, a lot less than  
22 a billion dollar plate mill or to make the hot-rolled coil,  
23 but they're substantial. And I would also say they're built  
24 to cut coil into cut-to-length plate.

25 Here, I think you will find, and I know you're

1       gonna have another panel today, but I ask, you know, our  
2       four people, I would say probably 90% of the equipment that  
3       is being used today by fabricators to cut quartz, was  
4       already on the ground in these companies called Joe's Marble  
5       and Stone, or Freddy's Granite to cut marble and granite,  
6       and then the same equipment, it wasn't bought to become a  
7       quartz fabricator. It's just a new stone material come  
8       onto the market and they use that equipment to cut it.

9               And I think that makes this completely different  
10       from a cut-to-length line. And really changes, you know,  
11       the way you would view whether those folks, they didn't get  
12       into this business to say, "I want to create a quartz  
13       fabrication facility." They just decided, and I think the  
14       evidence on the record, which is public, in the aggregate is  
15       that, even today, with the growth of quartz, the majority of  
16       what fabrication plants cut is still nonquartz. It's  
17       getting closer to 50/50, but still a majority of nonquartz.  
18       Whereas Marty, Cambria cannot make granite. They cannot  
19       make marble. They invested \$400 million only to make quartz  
20       slabs. So totally different.

21              COMMISSIONER WILLIAMSON: Okay. There's a  
22       distinction between somebody having bought something for one  
23       purpose and then using it in a different business, I guess  
24       is the question, or is it that they're allocating that  
25       equipment between two different products? So there's a

1 distinction there, but I'm sure the respondents will  
2 comment.

3 Do you agree with Reliance that the Commission  
4 does not have adequate domestic industry coverage to supply  
5 substantial evidence of material injury, and that  
6 fabricators are included in the domestic industry? I'm sure  
7 you probably don't, but do you wanna say why?

8 And if we weren't including fabricators, how  
9 should the Commission weigh slab producers versus  
10 fabricators?

11 MR. MEISNER: Well, you know, on this question of  
12 the data that we have for the fabricators, it's a little  
13 unusual because, as you know, from the outset of this case,  
14 we believe that the domestic industry only consisted of slab  
15 producers, namely Cambria, LG and Caesarstone. And it was  
16 the importers in alliance with fabricators that used Chinese  
17 quartz that first made this argument that the fabricators  
18 should be part of the domestic industry.

19 And the process by which the information was  
20 gathered from the Commission was also a little bit unusual  
21 in that the Commission, in response--in fairness to the  
22 Commission, staff has done an amazing job in this case--but  
23 because they were responding to requests from the Chinese  
24 importers to do this, they reached out to the Chinese  
25 importers' counsel and asked for a list of the sixty

1 largest fabricators that they had contacts with to provide  
2 data.

3 And so we think that data are gonna be a little  
4 skewed for those reasons alone, because number one, you're  
5 gonna be looking at the largest fabricators instead of some  
6 of the medium- and small-sized fabricators. In addition,  
7 you're getting fabricators that were self-selected by U.S.  
8 importers' counsel and so their data are gonna look a lot  
9 different than the data that would be supplied by the folks  
10 like the fabricators that we have with us here today who are  
11 cutting Cambria's quartz and other fairly-traded quartz,  
12 who've seen different kinds of trends.

13 And we were never asked by the Commission to  
14 provide questionnaire responses until very recently when we  
15 received an e-mail that said if we planned to testify, we  
16 may be asked to provide questionnaire response, so we have  
17 supplied those. And we're looking into it. And as with  
18 many other fabricators, because of the size of operations  
19 and accounting systems, it's difficult for fabricators to  
20 supply questionnaire responses, but we are working to try to  
21 provide as much data as we can.

22 But, so to answer your question, you know, we  
23 think it doesn't matter if fabricators are included. But  
24 that's our response.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1                   MR. SCHAGRIN: Commissioner Williamson, Roger  
2 Schagrin.

3                   COMMISSIONER WILLIAMSON: Okay, just -- I had two  
4 other quick questions. Yeah.

5                   MR. SCHAGRIN: Right, you go. And then we can  
6 all say in the post-hearing, but you know, like in  
7 fabricated structural is over a thousand years produced,  
8 there are probably in the tens of thousands of fabricators  
9 of products in the United States of stone. I mean, just in  
10 the area where I am, there are dozens and dozens and that's  
11 just one city.

12                  COMMISSIONER WILLIAMSON: Okay, thank you. How  
13 much downtime is there between orders to set up or clean  
14 machines. I'm talking about quartz production now. Is  
15 there incentive to produce a narrow selection of products?

16                  MR. DAVIS: I'd say that's one of the competitive  
17 edges that you work towards and our downtime is pretty  
18 limited if we stream the designs correctly. We have over  
19 150 designs. And our downtime is pretty limited due to our  
20 ability to campaign the design's color, hues if you will.  
21 So it's a factor in cost of production, but not disruptive.

22                  COMMISSIONER WILLIAMSON: Okay. With the  
23 majority of quartz service products from inventory, how do  
24 suppliers forecast demand in terms of designs and colors?  
25 And how quickly can suppliers respond to changing consumer

1 preferences?

2 MR. DAVIS: I think that's the challenge of the  
3 business. The more, like I mentioned, about 85% of our  
4 business now operates on what's on a retail basis. In other  
5 words, the distributor's gonna sell a slab today and they  
6 didn't know that that customer wanted that slab until today  
7 and so that's part of the increase in operating expenses was  
8 to fulfill those distribution centers out in the market with  
9 inventory that was available to customers in the market.

10 COMMISSIONER WILLIAMSON: Okay, thank you.

11 MR. WARD: We are constantly working our  
12 inventory models based on demand. So it's a daily exercise  
13 to react to what's going on in the market.

14 COMMISSIONER WILLIAMSON: Okay, thank you. I  
15 have no further questions. Thank you.

16 CHAIRMAN JOHANSON: Commissioner Broadbent.

17 COMMISSIONER BROADBENT: Okay. Mr. Davis, what  
18 is quartz glass and why is Cambria trying to get this  
19 product added to the scope of the case?

20 MR. DAVIS: I think it'd be better if Luke or  
21 Rebecca handle it, because I'm not expert on it.

22 MR. MEISNER: I can address that, Commissioner  
23 Broadbent. So, you know, when we first file petitions in  
24 this case, we said nothing about glass whatsoever in the  
25 original scope, or as we were working to file. And the

1 Commerce Department came to us and said, you know, what  
2 about these guys, they're operating here in the United  
3 States, who make this jagged glass, crushed glass product.

4 And we looked at it and we said, well, you know,  
5 a lot of these guys, they make it by hand, they're small  
6 artisanal shops, it's got a different design, it's in a very  
7 niche market. And so, you know, we will exclude from the  
8 scope, crushed glass products, not thinking that this would  
9 have much ambiguity in it or would be a potential means for  
10 circumvention.

11 And again, we're talking about slabs that are  
12 made in a very similar process the way Cambria makes its  
13 quartz surface products, but they have large jagged chunks  
14 of glass that are visible on the surface. Now, after, you  
15 know, it's hard to say exactly when, but certainly around  
16 the time of the preliminary determination by the Commerce  
17 Department, we started seeing a lot of information in the  
18 market from Chinese producers, as well as importers as to  
19 what they themselves were calling "new" quartz glass  
20 products. We saw some manufacturers trying to register new  
21 patents with regards to these "new" quartz glass products.

22 And what's different from these and what makes  
23 them new and unique is that, instead of incorporating large  
24 chunks of what we thought was--we were calling crushed  
25 glass--they were using very small glass powder or glass



1 granules, a material that looks and in some ways is similar  
2 to the physical characteristics of the raw quartz material  
3 that's used to make quartz slabs.

4 And they're able to imitate and make all of the  
5 full panoply of designs that it's possible to make using  
6 quartz as a raw material. And they said in their marketing  
7 and e-mails to potential customers that they specifically  
8 had created this new product to be able to get around the  
9 anti-dumping and countervailing duties that Commerce had  
10 imposed.

11 And so when we saw that, we said this is a  
12 potential huge loophole, an opportunity for the imports to  
13 circumvent the duties, and so we immediately started talking  
14 with Commerce. There was a government shutdown, which  
15 prevented us from raising it with them earlier, but as soon  
16 as we could, we started discussions with them to say, "Hey,  
17 we think we need to clarify the scope, not broaden it."  
18 We're not trying to broaden it in any way. Clarify the  
19 scope to make clear that crushed glass means that large  
20 jagged --

21 COMMISSIONER BROADBENT: Okay, Mr. Davis. So you  
22 think this is like a commercially significant thing the  
23 government needs to do on the scope?

24 MR. DAVIS: I think Rebecca's been dealing with  
25 that more, but it certainly is -- it's also an ability for

1       them to adulterate the glass and make it very difficult for  
2       a standard of identity of what it really is. It's sold in  
3       place of the quartz, identical to the quartz. Rebecca might  
4       be able to speak to it more specifically.

5               MS. SHULT: Yes, Rebecca Shult. And if I can  
6       add, the scope of the case has always said predominantly  
7       silica. And so because glass is silica, the scope has  
8       always covered glass products. Glass products, however, are  
9       new to our market as a threat because of the Chinese efforts  
10      to evade the tariffs here.

11             And so, while we were okay with the exclusion to  
12      begin with, but this special crushed glass product which is  
13      a distinct thing, we now felt the need to seek the  
14      clarification from the Department of Commerce on the scope  
15      issue, because what we're seeing in the market in terms of  
16      evasion efforts and blatant efforts by the Chinese to try to  
17      avoid paying tariffs, the challenge is this: At the border,  
18      it may say that it's glass and different and the tariff  
19      shouldn't be applied. But in the market, these markets are  
20      now being placed side-by-side next to Cambria and other  
21      domestic suppliers of quartz products. And so, yes, it is a  
22      competitive threat and it is an issue in our industry.

23             COMMISSIONER BROADBENT: Okay. Mr. Meisner, if  
24      quartz glass is included in this scope, will the Commission  
25      have to collect additional importer or producer information

1 to ensure proper coverage of this product?

2 MR. MEISNER: I can answer that. In terms of,  
3 you know, data that would have to be collected from  
4 importers and purchasers, the answer is no. Because this  
5 product did not enter the market at all, or at least in any  
6 significant quantities until after the preliminary duties  
7 were imposed by Commerce in November of 2018 and because the  
8 period of investigation only runs for the first three  
9 quarters of 2018, there would be no impact on the data  
10 collected by the Commission.

11 Now, if the Commission wants to collect  
12 additional data or maybe send a simple questionnaire asking,  
13 "Did you sell any?" then that would be fine, because the  
14 simple fact of the matter is, there was no importation in  
15 significant quantities of this glass quartz prior to the  
16 imposition of preliminary duties.

17 COMMISSIONER BROADBENT: Okay, my time's going by  
18 here. Mr. Grzeskowiak, excuse my pronunciation. Joint  
19 respondents argue on Page 54 to 56 of their prehearing brief  
20 that the Breton technology, which Chinese producers do not  
21 have access to, impart certain advantages on quartz products  
22 made from these machines, including quality, greater  
23 diversity of product features, durability and product  
24 longevity. Do you agree that this is the case?

25 MR. GRZESKOWIAK: I do not. John Grzeskowiak

1 from Cambria. I do not agree.

2 COMMISSIONER BROADBENT: If Breton technology has  
3 no such advantages, why do you invest in this proprietary  
4 technology?

5 MR. GRZESKOWIAK: Is that directed to me?

6 COMMISSIONER BROADBENT: Yeah.

7 MR. GRZESKOWIAK: I'm not the one making the  
8 decision to make that investment. I'm serving in my  
9 capacity at the company.

10 MR. DAVIS: I guess, are you asking, our  
11 investment in Breton, that would be Cambria's investment,  
12 not the fabricator investment. They founded the technology  
13 and brought the opportunity to the industry. And that's how  
14 we got into the business.

15 As I mentioned earlier, the Chinese went to  
16 Turkey where they had Breton equipment and reverse  
17 engineered it. So the Breton technology lives in all these  
18 products. And the gentleman who invented it, his family  
19 runs the business today, that's where we buy our equipment.  
20 They're a good company, good people.

21 COMMISSIONER BROADBENT: Okay. And this is my  
22 last question, Ms. Shult. Respondents have accused Cambria  
23 of engaging in sort of a lot of litigious activity, which  
24 they have used to describe a rapid-fire array of lawsuits,  
25 337 actions, anti-dumping, countervailing duty actions to

1 place pressure on customers and independent fabricators.

2 Can you respond to this characterization?

3 MS. SHULT: Yes. Given the size of our business  
4 and the challenges of our market, Cambria's not particularly  
5 litigious. And while we've brought cases such as IP cases  
6 to protect our intellectual property, those kinds of cases  
7 just simply don't give us the type of relief that we need  
8 from the kind of unfairly traded imports that we're seeing  
9 now from China.

10 COMMISSIONER BROADBENT: Good. Thank you very  
11 much.

12 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

13 COMMISSIONER SCHMIDTLEIN: Okay. I just have a  
14 couple of questions. One is a post-hearing question I  
15 think. But the other is sort of a big, maybe a big picture  
16 question. Probably for the lawyers. So we've talked about  
17 the underselling, which is universal, right? We've talked  
18 about the pricing, which in your presentation, I think you  
19 argue that there's enough evidence for price depression, Ms.  
20 Drake, with five out of the twelve products declining over  
21 the period.

22 So here's my question, and in particular, I'm  
23 looking at Products 3 and 4, which are the slab marble  
24 products, which you say account for the largest share of  
25 both U.S. shipments and from China. And so when you look at

1       those two products, the Chinese pricing information is  
2       public, but the U.S. is not. U.S. price does go up, right?  
3       And in fact, it goes up basically every year during the POI.  
4       And then also from beginning to end, you know, if you just  
5       look at the two endpoints.

6               So my question is, you know, in the largest, in  
7       the product, you know, the type of product where they are  
8       competing, you see the Chinese volume going up  
9       substantially, right? It starts at 10,000 square feet in  
10      2015 and it ends at 1.8 million square feet in 2018 and  
11      that's for the 2 cm, the 3 cm, it starts at 60,000 square  
12      feet and ends at 3.7 million, right? So they are flooding  
13      into the market at substantial margins of underselling.

14             But the U.S. industry is still able to increase  
15      its prices and increase its volumes in that product. So  
16      when you look at that product as sort of a microcosm of the  
17      whole case, and then you look at the overall loss of market  
18      share from the U.S., I guess my question is, how is that  
19      possible?

20             MS. DRAKE: Thank you, Commissioner Schmidtlein.  
21      Elizabeth Drake. So I think there are three forces that  
22      would cause domestic prices to rise during the POI. One is  
23      obviously a very rapid increase in demand. The second is  
24      you do have unit COGS increasing--it's not huge, but you do  
25      have that increase. The other is this effort by Cambria,

1 the leading producer, to establish its own what they call  
2 DC's, it's own distribution centers, to make up for the  
3 distributors who have left them for Chinese product.

4 And so that requires significant additional  
5 investment on Cambria's part in terms of inventory, in terms  
6 of all of the other things that go with setting up their own  
7 distribution centers. They started out with 2, now they  
8 have 18, as the way that they are trying to keep that market  
9 share from declining even further.

10 And so that make their sales at a further  
11 downstream level of trade. But now they are not just  
12 sending it to the distributors, they themselves are the  
13 distributors in those situations.

14 And so that, together with increasing demand, and  
15 maybe increasing demand for particular products at a  
16 different rate than for other products, all would tend to  
17 lead to increasing prices. And so the fact that we  
18 nevertheless saw decreases in 5 out of the 12 pricing  
19 products we think supports a finding of price depression.  
20 But even if the Commission does not find price depression or  
21 price suppression, we think the under-selling on its own is  
22 significant not just because it's universal or because it  
23 sets high margins, but because it did coincide with a loss  
24 of market share overall, and because it also coincided with  
25 pushing the domestic industry to scramble to stop losing

1 market share by incurring more costs, which drove down its  
2 profitability.

3 So we think that under-selling on its own is  
4 significant for all of those reasons. But we'd be happy to  
5 walk through the confidential data on that in our  
6 posthearing brief.

7 COMMISSIONER SCHMIDTLEIN: Okay. Did you want to  
8 add anything?

9 MR. WARD: Commissioner Schmidtlein--

10 COMMISSIONER SCHMIDTLEIN: Mr. Ward.

11 MR. WARD: Yeah, Jim Ward. I'd like to address  
12 some of this. We grew out our distribution network, we  
13 incurred costs. We freight the product to the region where  
14 the DC is located. We have the overhead of the DC. We've  
15 taken the inventory requirements out of the market and we  
16 own those. And so our price out of our DC is higher than it  
17 would be out of our plant because of that.

18 And so I'm not exactly sure what data you're  
19 looking at, but there would be an appearance of price  
20 increase when the net margin is the same to us.

21 COMMISSIONER SCHMIDTLEIN: So I guess my question  
22 in response to that, though, is, and again you don't have  
23 access to all the confidential information, the lawyers do,  
24 is wouldn't the DC's feel the price pressure from the  
25 Chinese product that is the same product? I mean we're



1 looking at two very specific products. So I understand the  
2 costs have gone up, and that's a justification for raising  
3 costs, but just based on market dynamics wouldn't you--  
4 wouldn't those DC's be feeling that price pressure?

5 So normally in case where we see--

6 MR. BISHOP: Commissioner, excuse me. Could you  
7 pull your mike closer?

8 COMMISSIONER SCHMIDTLEIN: Sorry. Normally in  
9 cases where we see not a large, let's call it, loss of  
10 market share, you see more of an impact in price, right?  
11 Because they're lowering price to hang on.

12 MR. DAVIS: So you're seeing our wholesale price  
13 to our distributors.

14 COMMISSIONER SCHMIDTLEIN: These are slab prices,  
15 right?

16 MR. DAVIS: Yep. And so the retail price has  
17 been suppressed and declined, and that's been eaten largely  
18 by that channel. And in cases where we're that channel,  
19 we've also done that, the fabricator/installer channel.

20 In addition to that, the price increase that is  
21 perceived--that's why I was shaking my head, we haven't  
22 increased the price--we bore about a \$6 cost per foot to  
23 build those distribution centers, and our spread on pricing  
24 is about \$5. So they're losing. Each of those initiatives,  
25 except for Florida, is losing. And that's sharing

1 information that I probably should share in the off-record.  
2 But that reality has hurt those operations, and in fact  
3 their volume has not come to the level to support them.

4 So to your point, it has suppressed the demand.  
5 And, you know, what's the option? We're already a dollar a  
6 foot under water, and we were forced to go in them. And it  
7 artificially gives you a price increase. Somebody else was  
8 charging that price before, and distributing. In fact, they  
9 were charging \$3 a foot higher than we are when we moved the  
10 business to us.

11 So I think we can supplement that information and  
12 help you see that there has been a static price and a  
13 declining price in the market throughout the channel with  
14 our product line.

15 COMMISSIONER SCHMIDTLEIN: Okay. Well I would  
16 invite you to do that in the posthearing.

17 The other question for posthearing relates to a  
18 report that is attached to the Joint Respondents' brief as  
19 Attachment One. It's an economic report. And they provided  
20 some analysis of the lost sales and lost revenue data.

21 I wonder if you could respond to that. That is  
22 at pages 43 to 45 of that ECS report. So if you could do  
23 that posthearing, as well, since it's confidential, that  
24 would be great.

25 Alright, I have no further questions. Thank you.

1 CHAIRMAN JOHANSON: Commissioner Kearns?

2 COMMISSIONER KEARNS: Thank you. Just a few  
3 here.

4 I guess I wanted to talk a little bit about  
5 sufficient production related activities and related-parties  
6 issues, so this is for the lawyers.

7 When I read your brief, even though it's under  
8 the section on sufficient production-related activities, it  
9 looks to me like you're really more concerned about the  
10 extent to which these fabricators are using Chinese product.

11 And so my question is: It seems to me that in a  
12 case involving a semi-finished product, the concern about  
13 related parties and about how related parties importing  
14 subject product skewing the data is particularly strong. So  
15 I'd just like you to comment on that. You know, how--you  
16 know, there seems to be kind of an overlap between the two  
17 issues. So can you speak to that, about how we should think  
18 about it?

19 MS. DRAKE: Certainly. Excuse me, certainly,  
20 Commissioner Kearns. Elizabeth Drake. We think there is  
21 kind of an overlap because one of the factors that the  
22 Commission looks at under the sufficient production related  
23 activities test is the quantity and type of parts sourced in  
24 the United States.

25 And so as we were looking at the quantity and

1 type of parts sourced in the United in the United States, we  
2 could see there were a lot of fabricators that were sourcing  
3 their slabs', and obviously their main input from China. So  
4 we think that is relevant to that factor.

5 But you're right. We think that even if the  
6 Commission decides, well, you know, regardless, there's  
7 still sufficient production related activities to include  
8 them in the industry. The next step is to go to the related  
9 parties test where when you look at those imports it becomes  
10 apparent that their interest lies more with importing than  
11 with domestic production. And it should be imports of  
12 everything in scope because it's a semi-finished domestic  
13 like product test. So that includes their imports of  
14 slabs. And so then they should be excluded from the  
15 industry on that basis.

16 But we would be happy to walk through--we didn't  
17 go through fabricator by fabricator in our brief. We had an  
18 exhibit that looked at, you know, separating out some of the  
19 different groups of fabricators, but we think if it's not  
20 sufficient to kick them out on the first test, then it  
21 should be sufficient to kick them out on the second test.

22 COMMISSIONER KEARNS: Okay, thank you. Returning  
23 one last time to market segmentation--and again I think, you  
24 know, we're struggling a little bit here because I just  
25 don't think we have great facts on the record like we often

1 do to help see the different segments.

2 And so I was thinking like even just these  
3 pictures you all provided helped me understand that, yes, in  
4 fact, you know, in the residential segment of the market I  
5 assume that's where kitchen and bath dealers come in, you  
6 know, there seems to be some competition there. So anything  
7 you can do to help us understand how much competition there  
8 is in various segments of the market would be helpful.

9 One thought I had on how we could maybe get there  
10 is, I think it would be helpful if we could see, you know,  
11 every type of product--I don't know if that's by SKU or  
12 however best to do it--that you all sell. Because I would  
13 think that if--if you all are supplying, or are interested  
14 in supplying, or are able to supply the commercial segment  
15 of the market, we would see very big volumes in some  
16 products, and smaller volumes in these, you know, however  
17 you want to describe it, luxury, or very more niche sort of  
18 individual product market.

19 So if you all can provide some sort of data like  
20 that, and pricing, and maybe from the beginning of the POI,  
21 the Period of Investigation, to the end, I think that would  
22 help us understand. You know, if I saw some models sell a  
23 whole lot more than other models, that would suggest to me  
24 that, you know, that's the mass segment of the market and  
25 these other areas are smaller.

1                   But does that make sense? I mean, because if  
2                   that kind of information is provided do you think it would  
3                   be helpful?

4                   MR. DAVIS: Yeah, I think it does. I think we'll  
5                   be able to do that to show that it's a very blended market  
6                   in that sense. And the designs go across the board in there  
7                   subject to what the designer and the architect designed from  
8                   specs. So I think we will be able to show you information  
9                   on that side of the business.

10                  I might add, we have to speak of our purported  
11                  marketing expenses. We have an \$8 million payroll in just  
12                  commercial people, commercial reps and commercial support  
13                  people that's been in place since 2009, '10, '11, and '12,  
14                  and growing, and we'll illustrate that as well in that  
15                  narrative.

16                  COMMISSIONER KEARNS: Okay, that would be  
17                  helpful. And I guess I should reveal sort of what are my  
18                  assumptions that may or may not be right. And from some of  
19                  the things you've said, Mr. Davis, it makes me think maybe  
20                  it's not entirely right.

21                  But I would have thought that in the mass  
22                  commercial segment of the market you would have the more  
23                  vanilla flavored products, whereas in the more smaller  
24                  quantities, you know, for individual residences, you might  
25                  have the more extravagant sorts of designs. But then there

1       were some things you said earlier that suggested that's not  
2       necessarily true.

3               MR. DAVIS: I think it is. In cases there are  
4       certainly segments within that segment that is that way.  
5       For instance, multi-unit college dormitories that are being  
6       built across the Nation, for sure. It's just that that  
7       market is very large, and a good portion of that market is  
8       looking for design, as well, and performance.

9               So there is definitely that place where you would  
10      say that so-called commodity product lies, but it's  
11      certainly not the majority of the commercial segment, and  
12      there's a very robust marketplace for all of the above in  
13      the commercial segment.

14              COMMISSIONER KEARNS: Okay, great. Thank you.

15              MR. MEISNER: Commissioner Kearns, if I could  
16      follow up quickly--this is Luke Meisner--again I don't know  
17      if it'll be useful to show that Cambria operates in the  
18      commercial segment, to break it out by SKU, You can  
19      certainly look at that. But because, as Mr. Davis was  
20      saying, you know, it can vary quite a bit. The plain white  
21      designs, and the stark white marble that's popular that, you  
22      know, some are calling the mass market, that's not only  
23      popular in college dormitories, it's also very popular these  
24      days in the residential kitchens and individual consumer  
25      market as well.

1           And so, you know, we can certainly break out  
2       Cambria's sales by commercial versus residential segments of  
3       the market from the beginning of the POI towards the end,  
4       and I'm sure that will show that Cambria competes as hard as  
5       it can in the commercial segment, as well as the residential  
6       segment.

7           And again, you know, I want to emphasize one last  
8       time, we think Cambria--the evidence shows that Cambria does  
9       compete in the commercial segment with the Chinese, but I  
10      don't want the Commissioners to be focused only on the  
11      commercial market because the Chinese are also in the  
12      residential market exactly where Cambria competes as well.

13           COMMISSIONER KEARNS: Understood. But given that  
14      the other side is, you know, making that argument, I want to  
15      make sure I understand it. And my point is, while this is  
16      helpful, it's also sort of disturbing that I'm looking at  
17      one picture which is pretty anecdotal to try to figure out,  
18      you know, how much there is competition.

19           So there's a lot of anecdotes on both sides of  
20      the record, I think, on this, and having more aggregated  
21      data of some kind, whether it's by SKU, or breaking out  
22      commercial versus residential, that would be helpful.

23           On impact, subject import volume increased both  
24      by volume and market share between the interim periods, yet  
25      the financial condition of the domestic industry, however



1 defined, improved. How do you explain that?

2 MR. SCHAGRIN: Our answer is confidential, but  
3 it's all about--I mean, as you'll see in our posthearing,  
4 we're going to argue one of the U.S. producers is going to  
5 speak today shouldn't be considered part of the domestic  
6 industry. They are already clearly on the Chinese side.  
7 They're a Korean multi-national company with more plants in  
8 Korea than--I mean, in China than they have in the United  
9 States, you know, across their broad brand of everything  
10 they make for kitchens, for microwaves to washing machines,  
11 to et cetera, et cetera.

12 But as to the rest of the domestic industry, it  
13 is all one choice to try to address really horrible  
14 utilization rates for a company that operates worldwide, and  
15 based on their recent announcement, you know, it just didn't  
16 work out. But we're going to have to explain that  
17 confidentially.

18 I think we already did explain it in our  
19 prehearing, but we'll put more emphasis in the posthearing.

20 MR. MEISNER: We did. You can look at page 66 of  
21 our prehearing brief and you can get a, you know, preview of  
22 our response of what we'll explain in additional detail in  
23 posthearing.

24 COMMISSIONER KEARNS: Okay, thank you. I think  
25 the company you referred to, Mr. Schagrin, earlier that

1       should be excluded from the industry, I'm not sure if I saw  
2       a lot of reasoning in your brief as to why that should be.  
3       So if you all could explain that further, that would be  
4       helpful.

5               MR. MEISNER:   We will.

6               COMMISSIONER KEARNS:   Thank you.

7               On critical circumstances, I guess I'm going to  
8       ask a couple of questions here before my time runs out.  
9       What is the appropriate length of the comparison periods,  
10      given the timing of Commerce's preliminary CBD  
11      determination?

12              Also, your slide that you presented at the  
13      beginning here, I think it was page 12 of your slide,  
14      doesn't seem to match our data on page 4-10 of the Staff  
15      Report.   And so if you can explain that.

16              And then finally, your brief only addresses the  
17      AD investigation in detail.   Please flesh out here, or  
18      posthearing, any arguments you have for the CBD  
19      investigation, given the different entities and import data  
20      at issue.   And given that my time is about to run out, I'm  
21      happy to hear a little bit now if you like, but posthearing  
22      is completely fine as well.

23              MS. DRAKE:   We'll respond posthearing.

24              COMMISSIONER KEARNS:   Okay, great.   Thanks very  
25      much.

1           CHAIRMAN JOHANSON: I have just one question, and  
2       it's for the attorneys, and it'll probably be best handled  
3       posthearing.

4           Given business proprietary information issues,  
5       could you please respond in the posthearing to the arguments  
6       of the Joint Respondents regarding Cambria's financial  
7       performance during the Period of Investigation? You will  
8       want to refer to the Joint Respondents' brief at pages 57 to  
9       67. And that concludes my questions.

10          Do any other Commissioners have questions?

11          (No response.)

12          CHAIRMAN JOHANSON: No other Commissioners have  
13       questions. Do staff have any questions for this panel?

14          MS. HAINES: No.

15          CHAIRMAN JOHANSON: Do Respondents have any  
16       questions for this panel?

17          MR. STOEL: Jonathan Stoel, for the record. Mr.  
18       Chairman, no, we do not. Thank you.

19          CHAIRMAN JOHANSON: Alright, then we will now  
20       take a recess for lunch. Let's return at 2:15. I would  
21       like to remind parties not to leave business proprietary  
22       information on the room because the hearing room is not  
23       secure.

24          So we will see you back here at 2:15.

25          (Whereupon, the hearing was recessed for lunch,

1 to reconvene at 2:15 p.m., this same day.)

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1                   A F T E R N O O N   S E S S I O N

2                   MR. BURCH: Will the room please come to order?

3                   CHAIRMAN JOHANSON: Mr. Secretary, are there any  
4 preliminary matters?

5                   MR. BURCH: There are no preliminary matters. I  
6 would like to note that all witnesses have been sworn in on  
7 this Panel and this Panel has 60 minutes for their  
8 testimony.

9                   CHAIRMAN JOHANSON: You may proceed.

10                  STATEMENT OF JONATHAN STOEL

11                  MR. STOEL: Good afternoon, Chairman Johanson,  
12 Commission and Staff. For the record, my name is Jonathan  
13 Stoel of Hogan Lovells.

14                  Respondents' Panel this afternoon comprises an  
15 array of quartz industry participants, all of whom are  
16 opposed to Cambria's Petitions. You will hear first from LG  
17 Hausys, a quartz slab producer who has performed very well  
18 over your POI. Next will be a group of fabricator  
19 manufacturers who also oppose Cambria and have experienced  
20 shortages of quartz slab in the U.S. Market.

21                  Several U.S. Importers and distributors of quarts  
22 will inform you on how imported quartz from China competes  
23 differently than U.S. Manufactured quartz products. Lastly,  
24 a representative of the Chinese quartz industry will explain  
25 why there is no threat of material injury.

1           I'd like to make three points before I turn to  
2     our witnesses. First, Cambria has been screaming for more  
3     than a year that this case is all about China but just  
4     yesterday Cambria filed new Petitions against imports from  
5     India and Turkey. This confirms this case is nothing more  
6     than trade lawfare by Cambria to attack its competitors in  
7     this thriving and growing industry.

8           Second, other U.S. Producers of quartz strongly  
9     dispute Cambria's claims. LG have been very successful over  
10    the Period of Investigation and is here today why imports  
11    from China have not had an adverse affect on U.S. slab  
12    producers' sales, volumes or prices.

13          U.S. fabricator manufacturers are small and  
14    medium-sized businesses. They have been repeatedly  
15    disparaged by Cambria and its lawyers but they are here  
16    today to stand up in support of thousands of American  
17    manufacturing workers in opposition to Cambria's duties.

18          Finally, our witnesses will confirm that the  
19    Domestic Industry has not suffered material injury over the  
20    POI. U.S. Domestic production, sales, shipments and profits  
21    are all strong and rising. LG and Caesarstone have expanded  
22    their operations and a new domestic slab producer Dal Tile  
23    is opening its doors in Tennessee hiring hundreds of  
24    workers.

25          Moreover, Cambria has been breaking contracts

1 with its own Lexus dealers turning away substantial business  
2 in the process. I ask you, if Cambria has been truly  
3 injured by Subject Imports then why is it turning down  
4 opportunities to produce and sell additional quartz?

5 Lastly, Domestic Producers' prices have been  
6 rising over the POI even as Subject Imports volume rose and  
7 their prices fell. So the U.S. Industry has benefitted  
8 handsomely from the explosion of demand for quartz, a  
9 product that is very different from the commodities such as  
10 steal with which you have so much experience.

11 Thank you. Our first witness will be Dan Prokop  
12 from LG Hausys.

13 STATEMENT OF DAN PROKOP

14 MR. PROKOP: Good afternoon. My name is Dan  
15 Prokop and I'm the Production Director at L.G. Hausys of  
16 America. Joining me today is Mike Maurisi, Director of  
17 Surface Products at LG Hausys America. LG Hausys America is  
18 a U.S. Producer of quartz surface product at issue in this  
19 case.

20 We produce quartz slabs at our production factory  
21 in Adairsville, Georgia. U.S. production is overwhelmingly  
22 our main focus. Although we also import quartz to round out  
23 our product line during 2017 and 2018 our U.S. production of  
24 quartz in our GA factory accounted for 82 percent of our  
25 quartz sales.

1                   So let me get right to the question that you are  
2           about to ask, what in the world is a significant U.S.  
3           Producer doing by appearing with Respondents in opposition  
4           to an AD/CVD case?

5                   Well, there are three reasons. First as Mike  
6           will explain in just a few minutes, LG Hausys relies on  
7           imports to supply those particular quartz products that our  
8           Georgia factory does not produce and indeed, our ability to  
9           offer a full product line actually helps us to grow our  
10          sales of U.S. produced quartz.

11                  Second, Cambria's descriptions and  
12          characterizations of the competitive dynamics in the U.S.  
13          quartz market are just wrong.

14                  Third, if accepted, Cambria's critical  
15          circumstances allegations would cause significant harm to LG  
16          Hausys America's ability to invest even more in our  
17          Adairsville, Georgia factory. That is why we are here  
18          today.

19                  This afternoon I am going to focus my remarks on  
20          the development of our U.S. manufacturing facility for our  
21          Viatera branded quartz products. I will then hand the  
22          microphone over to my colleague Mike Morici who will offer  
23          our experience selling quartz in the U.S. Market.

24                  LG Hausys America developed our branded quartz  
25          product Viatera in 2005. With increasing demand for quartz



1 we established our Adairsville production factory. You can  
2 see an overview of our plant on page 1 of the attachment.  
3 Our first U.S. production line focused on particulate  
4 designs which were favored by consumers at the time.

5 When consumer preference started to shift toward  
6 design with movement or veins, we made enhancements to line  
7 1, enabling the production of small vein products that  
8 proved to be extremely popular in the quartz market.

9 With demand still growing by leaps and bounds, we  
10 added a second quartz line that became operational in 2016.  
11 Our second production line contained significant  
12 enhancements including a better vein machine which can be  
13 seen on page 6, multiple robotic arms which can be seen on  
14 page 7 and our own patent-pending design technologies which  
15 you can see on Page 8.

16 All of these production and factory enhancements  
17 have enabled us to produce more sophisticated designs.  
18 Given these advanced factory technologies we now focus our  
19 U.S. Production on high end, short and long-vein designs. I  
20 am happy to report that we have had tremendous success in  
21 the market for U.S. produced quarts.

22 In fact, both increasing demand and our success  
23 have been so strong that we have already begun constructing  
24 a third U.S. Production line that you can see on page 14.  
25 This third production line will begin commercial operations

1 by the end of the year.

2 I have to add that Marty Davis' statement, that  
3 we built our third production line because of the trade case  
4 is flat wrong. The decision to add our third production  
5 line was made long before the Petition was filed and we had  
6 internal documents to prove this.

7 There is even more. Given the growth in the U.S.  
8 Market and the success of our U.S. produced quartz we have  
9 already purchased land in contemplation of a fourth  
10 production line that can be seen on page 15. We are still  
11 deciding whether the 4th production line will be built on  
12 future site 1 or future site 2.

13 Finally, I want to make a point about the quartz  
14 production process. What cannot be seen from the  
15 photographs provided is the intense production planning that  
16 LG conducts each month so that we are able to minimize  
17 downtime across our production lines. As LG produces more  
18 and more unique designs for the high end market, it must be  
19 mindful of the substantial downtime required when changing  
20 from one color to the next.

21 The process of changing colors can take up to  
22 twelve hours depending upon the color. The mixers and all  
23 associated material conveying equipment must be cleaned to  
24 ensure no color residue remains. Thus, as we continue to  
25 increase the number and complexity of our quartz products

1 the quantity of square feet that can be produced per line  
2 per month decreases.

3 For this reason, LG Hausys conducts careful  
4 monthly planning and anticipates continuing to grow its  
5 Adairsville manufacturing facility. However, construction  
6 of new production lines with such high-tech features takes  
7 time, and as we work to expand our facility we will need to  
8 rely on imports to keep up the demand. Thank you.

9 STATEMENT OF MICHAEL MORICI

10 MR. MORICI: Good afternoon. My name is Michael  
11 Morici and I am the Director of Surface Products at LG  
12 Hausys America.

13 I have come here today to offer the Commission  
14 important perspective on the competitive dynamics of the  
15 U.S. quartz market based on our experience in selling both  
16 U.S. produced quartz and imported quartz.

17 Let's jump right into how quartz is sold in the  
18 U.S. market. I ask you to review page 1 of the attachment  
19 to my statement.

20 It is our view that the quartz market is broadly  
21 organized into three segments: residential; builder; and  
22 commercial. As a slab producer with no internal fabrication  
23 capabilities, LG Hausys America's customers are almost  
24 exclusively fabricators. For this reason, LG Hausys has  
25 focused on its relationships with fabricators in order to

1 grow its branded Viatera business. Because many  
2 fabricators tend to specialize for a particular market  
3 segment, understanding market segmentation is very important  
4 to the success of our business.

5 Of the three market segments, we have focused our  
6 U.S. production on quartz for the high end of the  
7 residential segment, particularly for kitchen and bath  
8 retailers in which consumers favor intricate and unique  
9 designs.

10 As Dan just explained, with the addition of our  
11 second U.S. production line equipped with advanced  
12 technologies we have been able to dramatically increase our  
13 product offerings intended for the high end of the market.  
14 Since we installed our second line, roughly 85 percent of  
15 our U.S. produced quartz products are for the residential  
16 segment.

17 Next I want to address the tremendous growth in  
18 the U.S. market. Please refer to page 2 of the attachment.  
19 As you can see, the different segments of the market have  
20 had very different growth rates. I note in particular the  
21 spectacular growth in the builder segment.

22 As quartz has increasingly replaced granite  
23 surfaces in consumer preferences, the builder segment of the  
24 market has exploded. We estimate that sales growth in the  
25 builder segment has increased by roughly 84 percent from

1       2016 to 2018. Given that our U.S. factory is virtually sold  
2       out producing for the kitchen retail segment, we have relied  
3       on imported product to keep up with the demand in this  
4       segment.

5               I now ask you to refer to page 3 of the  
6       attachment that will help you understand how we go about  
7       selling our quartz in the U.S. market. Page 3 provides our  
8       quartz price list for 2018. As you see, we have  
9       purposefully organized our many different quartz products--  
10      which we refer to as colors--into four categories: A, B, C,  
11      and D.

12             Each group category represents a point on the  
13      spectrum of designs and price. Broadly, categories A and B  
14      have less sophisticated designs. Therefore, they are lower  
15      priced. Categories C and D have more sophisticated designs  
16      and appear more similar to natural stone. Therefore these  
17      designs are higher priced.

18             We have adopted this categorization because this  
19      is how the vast majority of our fabricator customers  
20      organize their own sales. Some fabricators have six  
21      categories, while others may only have four, but all  
22      organize their sales of quartz products according to this  
23      same spectrum idea.

24             What is very important for you to understand is  
25      that our company has achieved its success by being able to

1 offer the full spectrum of quartz products. In our  
2 experience, many fabricators vastly prefer to work with a  
3 supplier that can offer a full spectrum of products. And  
4 so, in our experience, those suppliers that can offer a wide  
5 array of products have an advantage in the marketplace. LG  
6 Hausys has seen this first hand.

7 And therefore, what my colleague Dan said is very  
8 true. Our own imports help grow our sales of U.S. produced  
9 quartz. Being able to offer imported quartz in category A  
10 or B allows us to persuade a fabricator to carry all of our  
11 designs on the spectrum, including the Cs and Ds made in our  
12 Adairsville, Georgia, factory.

13 Concerning the interaction of our imports and  
14 U.S. produced quartz, I ask you to go back to page 3 which  
15 provides our price list. To be clear, "Jumbo I" refers to  
16 our imported quarts, and "Jumbo II" refers to our U.S.  
17 produced quartz. As you can see, within each category we  
18 charge the exact same price whether the product is imported  
19 or U.S. produced. We do not charge a lower price for  
20 imported products.

21 I next you to turn to page 4 of this attachment.  
22 This presents our total quartz sales. I ask you to look at  
23 the very first column which presents our dramatic increase  
24 in sales of U.S. produced quartz, and the very last column  
25 which provides imports as a percent of total sales. As you

1 can see, over the past few years the share of our sales  
2 represented by imports has been virtually the same year to  
3 year. Just the country mix has changed.

4 I am running out of time so I want to end with  
5 what I believe is the most important point. Cambria's  
6 allegations and characterizations do not apply to us.  
7 Quartz imports from China have not harmed the success of our  
8 U.S. produced quartz. Please refer to page 5 of the  
9 attachment. This chart presents data from our U.S. producer  
10 questionnaire response. As you can see, even though imports  
11 from China increased a fair amount from 2015 to 2018, the  
12 profitability of our Georgia factory remained the same.  
13 That is, we were able to earn double digit profitability in  
14 each time period.

15 Thank you, and now I pass the mike to Mitch  
16 Hires.

17 STATEMENT OF MITCH HIRES

18 MR. HIRES: Hello. My name is Mitch Hires, and I  
19 am the CEO of Construction Resources, a 50-year-old  
20 multi-product building and installation company with  
21 approximately 750 employees. We serve all segments of the  
22 industry including single-family builders, multi-family  
23 builders, commercial projects, and retail. Construction  
24 Resources consists of a group of 14 companies, including  
25 National Stoneworks, an importer of the subject

1 merchandise.

2 As a U.S. fabricator and importer of  
3 prefabricated quartz surface products, I oppose the  
4 imposition of antidumping and countervailing duty orders.  
5 The quartz industry is thriving and the domestic industry  
6 cannot meet current demand for all the market segments,  
7 primarily multi-family apartments. My company, including  
8 my domestic fabricating business as well as my import  
9 company, continue to grow and increase our market share.

10 U.S. fabricators such as my company are part of  
11 the domestic quartz industry. My company is a highly  
12 skilled and sophisticated manufacturer. We take advantage  
13 of today's technological advances including the use of  
14 automated machinery and extensive production processes.

15 My company invests significant amounts of money  
16 in our manufacturing, distribution, and fabrication  
17 facilities. Our labor is highly skilled and we focus  
18 heavily on their training and continued development. We do  
19 not simply cut rectangles.

20 My company is profitable and growing. Over the  
21 years I have and continue to have a good working partnership  
22 with Cambria, as our company was a Lexus dealer and I was an  
23 advisory board member. In this capacity, it was clear that  
24 Cambria made a business decision to disregard the  
25 multi-family apartment market. Put simply, this was not and



1 is not a part of Cambria's market strategy.

2 This Lexus relationship ended when we made the  
3 decision to go forward with a multi-product business  
4 strategy.

5 Our diverse product offerings have been well  
6 received by our customer base, which has been good for our  
7 bottom line. Our customers hire us based upon our focus on  
8 customer service and ability to meet their needs in terms of  
9 schedule and a wide variety of unique, quality products that  
10 meet their specifications.

11 We need a diverse supply base to meet the needs  
12 of our company. We have experienced shortages with certain  
13 U.S. suppliers. Moreover, Cambria as well as other U.S.  
14 manufacturers do not sell into all of our markets--primarily  
15 multi-family apartments.

16 Critical circumstances should not apply in this  
17 case. My company made purchases for multi-family projects  
18 based upon existing contractual obligations to  
19 long-standing, valued customers. Most of these sales and  
20 contracts were signed months before Cambria brought this  
21 case.

22 Imports were sourced globally to meet these  
23 contract terms, which include customer driven design  
24 specifications, precise lead times, and sequenced  
25 deliveries. Failure to deliver specified materials and meet

1 often compressed installation schedules would be considered  
2 a breach of contract and subject to liquidated damages.

3 I urge the Commission not to hurt U.S. companies  
4 such as my own. Regardless of our proactive approach and  
5 willingness to confirm to the current quartz market  
6 landscape, punitive critical circumstances punish my  
7 business. These retroactive duties are being paid by  
8 hardworking American companies, not Chinese businesses.

9 I thank you for this opportunity to testify, and  
10 I'm happy to answer any questions.

11 STATEMENT OF TIM BUTLER

12 MR. BUTLER: Good afternoon. My name is Tim  
13 Butler and I'm Vice President of Purchasing and Inventory  
14 for Wisenbacker Builder Services. Wisenbacker is a  
15 family-owned company that's been doing business in the State  
16 of Texas for almost 50 years.

17 We provide and install a broad range of interior  
18 finish home-building products to companies that build single  
19 family homes in the four major cities of Texas. Among the  
20 products and services we provide is the fabrication and  
21 installation of countertops. Wisenbacker has approximately  
22 900 employees, more than 100 of whom work in the fabrication  
23 of countertops.

24 We complete approximately 150 countertop  
25 installations per day, and thus help finish tens of

1 thousands of new homes each year. Wisenbacker acquires the  
2 products it installs from both foreign and U.S. sources,  
3 including its own domestic countertop and cabinet  
4 production facilities.

5 The vast majority of the countertops in these  
6 homes are at a price point much less than the expensive,  
7 high design styles produced with the Breton process and sold  
8 by Cambria.

9 Fabrication is an incredibly sophisticated  
10 process. In 2018 we fabricated and installed 1.6 million  
11 square feet of finished countertops in new homes in Texas.

12 Fabrication is becoming increasingly capital  
13 intensive and automated. Our countertop manufacturing  
14 facility has approximately 130,000 square feet under roof.  
15 Since 2015, Wisenbacker has added several robotic machines  
16 to our fabrication operations, and our total capital stock  
17 for fabricating countertops now has a replacement value of  
18 approximately \$15 million. Using all this machinery  
19 requires highly skilled and trained workers. Some have  
20 advanced training in computer numerical control programming  
21 and thus are able to command high wages.

22 The value-added in fabrication is extremely high.  
23 For Wisenbacker the cost of the slab is at most 40 percent  
24 of the cost of the entire fabricated countertop, and  
25 sometimes is as low as 25 percent. The remaining value

1 added takes place at our Houston factory.

2 Finally, a few words about critical  
3 circumstances. Interior finishes in a home are driven by  
4 fashion and customer taste. The home buyer often selects  
5 the finishes before construction begins. As soon as Cambria  
6 filed its trade petitions, Wisenbacker stopped offering  
7 countertop colors that could only be sourced from China.  
8 But Wisenbacker was still responsible for supplying home  
9 buyers' previous Chinese selections for 6 to 8 months  
10 through the build cycle of the house. Thus, Wisenbacker had  
11 to import some Chinese quartz slabs after the filing of the  
12 petitions by Cambria.

13 As a result, Wisenbacker is now facing in excess  
14 of a million dollars of tariffs on those products if penalty  
15 duties are assessed retroactively through a finding of  
16 critical circumstances.

17 Thank you.

18 STATEMENT OF JEFF KECK

19 MR. KECK: Good afternoon. My name is Jeff  
20 Keck. I am the President of Marble Uniques, a U.S.  
21 fabricator of natural stone and quartz surface products  
22 serving the Greater Indianapolis area since 1998.

23 I will focus my testimony on the importance of  
24 aesthetics in the quartz industry. I believe that the  
25 unique design of Chinese quartz distinguish them from most

1 other products on the market. I also believe that the  
2 unique look of Chinese products explains their recent  
3 growth.

4           Until 2015, quartz was a relatively stable and  
5 small part of the U.S. countertop market compared with  
6 natural stone substitutes like granite and marble. Then the  
7 mass market for quartz took off in 2015-2016 when Chinese  
8 producers began producing a quartz product with a natural  
9 marble look comprised of big, bold and thick lines cal  
10 Calacatta.

11           Real Calacatta marble has disadvantages as a  
12 countertop surface as it is easily scratched, can bruise,  
13 and is subject to etching. Quartz made to look like  
14 Calacatta eliminated these issues for consumers and as such  
15 it began taking substantial market share from natural stone,  
16 not from quartz products produced by American manufacturers  
17 like Cambria.

18           My clients have shown a preference for the  
19 aesthetic of the Chinese Calacatta product over quartz made  
20 by manufactures that use Breton machinery like U.S.  
21 producers.

22           The duties on quartz products from China have  
23 caused a severe shortage of quartz in the U.S. market,  
24 particularly in the mass market. As a result, highly  
25 successful American producers of quartz products like Marble

1 Uniques have seen reduced sales of quartz.

2           The duties are shrinking the quartz market  
3 compared with natural sone, threatening to reduce quartz's  
4 market share to 2015 levels. Specifically, our customers  
5 have replaced Chinese quartz products with natural stone,  
6 not with U.S. produced quartz. I expect this pattern will  
7 continue.

8           The Commission should also know that Marble  
9 Uniques cannot buy or fabricate Cambria in Indianapolis as  
10 Cambria is not sold to independent fabricators in the  
11 region.

12           The story with the other U.S. producers is not  
13 much better, as we have frequently been on back-order with  
14 Caeserstone over the last few years.

15           The Commission should also know the impact  
16 Critical Circumstances is having on fabricators. In my  
17 specific case, we entered into a contract in 2017 to  
18 purchase quartz for a 144-unit apartment renovation project  
19 from a Chinese manufacturer.

20           The specific quartz color and manufacturer was  
21 specified by our customer, not Marble Uniques. The contract  
22 called for damages if we did not supply the product. One of  
23 the orders was subject to Critical Circumstances and turned  
24 a profitable contract into a significant loss that  
25 threatened the ability of our company to continue being an

1 ongoing concern, which could impact the livelihood of my 32  
2 employees.

3 Thank you.

4 STATEMENT OF JOSH YOLTAY

5 MR. YOLTAY: Good afternoon. My name is Josh  
6 Yoltay and I am the CEO of Artelye Marble and Granite.  
7 Artelye manufactures quartz surface products for the  
8 mid-Atlantic region. On behalf of my 100 employees, thank  
9 you for the opportunity and honor to appear before you  
10 today.

11 The quartz industry as a whole is doing amazingly  
12 well. Most of us in the industry think that quartz will  
13 continue to grow for the foreseeable future as more  
14 customers choose quartz over natural stone. Artelye is  
15 betting on the future of quartz by recently expanding and  
16 opening a fabrication facility and showroom in North  
17 Carolina. This manufacturing facility employs an additional  
18 20 employees.

19 I would like to explain the differences in the  
20 quartz products on the market. We have sold Cambria for a  
21 number of years, and we have been very successful  
22 fabricating their patterns for high-end houses, high-end  
23 commercial jobs, and custom millwork projects. Cambria  
24 makes a beautiful product. It is essentially the Ferrari  
25 of quartz. I would love to sell as much Cambria as

1 possible, as the margins that I enjoy on that product are  
2 the highest.

3 Because of this fact, I am really nervous to  
4 testify today. I sincerely hope that I am able to continue  
5 to sell Cambria into the future. I simply disagree with the  
6 fact that Chinese quartz harms Cambria and the other U.S.  
7 slab producers.

8 Cambria is generally not used in our mass market  
9 projects due to its dramatic colors and look. We have never  
10 installed large volume Cambria in a large commercial or  
11 multi-unit residential project like an apartment. Instead,  
12 architects for these larger scale jobs are looking for a  
13 more steady or simple color pallets. They want Honda, not  
14 Ferrari. With larger builder accounts, the builder's  
15 designers will inform us which products they would like to  
16 use and ask us for pricing. These major national builders  
17 do not ask to price Cambria because the large company  
18 designers want a color that works for a broad community of  
19 buyers. These builders are shying away from exotic looking  
20 materials.

21 The difference between Chinese quartz and Cambria  
22 is like the difference between Honda and Ferrari. They are  
23 both good cars and serve their customers very well, but they  
24 do not compete against each other.

25 In addition, builders of multi-unit projects are



1 very conservative about complicated patterns due to issues  
2 with the seaming those patterns together. Seaming refers to  
3 the need to join two pieces of a cut slab, quote, "material"  
4 together into the final form that goes into the customer's  
5 house as a kitchen countertop. The more complicated the  
6 pattern, the harder it is to seam after it is cut. That  
7 difficulty leads to increased costs to the builder.

8 Thank you very much for the opportunity, and I am  
9 very happy to answer any of the Commission's questions later  
10 on.

11 STATEMENT OF ALAN JORGENSEN

12 MR. JORGENSEN: My name is Alan Jorgensen, CEO of  
13 Bedrock Quartz, employing 125. Fabricators are a much  
14 larger part of the industry than U.S. slab producers.  
15 Various sampling and NSI estimates show at least 10,000  
16 fabricators, and likely over 15,000, in a \$17 billion  
17 industry. Employment is well over 100,000.

18 Were Cambria to cease production, the industry  
19 would continue unaffected. Fabricators are the preexisting  
20 industry that Cambria plugged into to move their product.  
21 At the preliminary hearing, fabricators CKF and Flow Form  
22 supported Cambria. I hoped they would submit their  
23 questionnaire responses because their data would support  
24 huge added value, significant investment, and high  
25 employment levels in the fabrication industry and the points

1 I am about to make.

2           Sadly, they did not. Cambria claims negligible  
3 value is added through fabrication. This is false. To show  
4 the reality, I obtained an estimate from Cambria Lexus  
5 Dealer CKF showing \$100 per foot for a kitchen countertop.  
6 Removing installation and material costs, including a waste  
7 allowance, leaves \$60 added value created by CKF, a  
8 fabricator.

9           There is significantly more value added by  
10 fabrication operations than is added by Cambria slab  
11 production, which adds, at most, \$15 per foot. Yearly,  
12 Cambria adds value of perhaps \$390 million versus \$1.2  
13 billion in fabrication operations on the same volume of  
14 goods.

15           Cambria crudely compares its mature investment of  
16 five imported Breton Lines, national presence, warehouses,  
17 and employees against the smallest possible startup  
18 fabrication operation. This is beyond comparing apples and  
19 oranges; it's deception.

20           If one fabricating business handled all Cambria's  
21 output, it would require over 5,000 employees and  
22 investments exceeding \$200 million. It would take at least  
23 76 fabricators the size of Bedrock Quartz.

24           Cambria calls fabrication a relatively  
25 insignificant process, yet they identified their fabrication

1 operations as "sophisticated."

2 STATEMENT VINEET MALIK

3 MR. MALIK: My name is Vineet Malik. I am  
4 President of Stone Showcase. As one of the initial  
5 Respondents in the coalition, we created a website,  
6 "Quartzcoalition.com" to post briefings and an opportunity  
7 for our fabricator customers to voice their opinion on this  
8 case. Our goal was simple. We wanted to hear from the  
9 fabricators. We wanted to confirm if Cambria really  
10 represented the industry and spoke for them.

11 We had an overwhelming response from 450  
12 fabricators who represent over 10,000 U.S. employees. The  
13 responses were candid, and 442 disagreed with the petition  
14 filed by Cambria. But all 450 companies believe they are  
15 part of the industry.

16 They were furious by Cambria's portrayal that  
17 their job required no skill or training; that they should  
18 not have a voice; and that one company should be allowed to  
19 speak on their behalf. Over 90 percent of those fabricators  
20 who voiced their opinion to the Coalition said they would be  
21 willing to respond to a questionnaire from the Commission.

22 Unfortunately, the number of companies who were  
23 able to respond to the questionnaire the Commission released  
24 was a small percentage of these companies. Why, you may  
25 ask? Simply put, the questionnaire was extremely lengthy,

1       difficult, and required an overwhelming amount of data for  
2       the past five years that these fabricators do not track.

3               Since record keeping is not their strong suit,  
4       253 fabricators representing 4,037 employees, provided  
5       certifications in our brief opposing the Petition. If  
6       requested, more certifications will be provided in the  
7       posthearing brief.

8               Furthermore, even those shops who were willing to  
9       go back into their records looked at the questionnaire and  
10      said they would need to get their bookkeepers and lawyers  
11      involved so they could understand the questionnaire. They  
12      then questioned the cost and time needed to sift through  
13      years of records to compile this data to complete the  
14      questionnaire and laughed. They threw their hands in the  
15      air and said, I'll simply close my doors and file for  
16      bankruptcy. I cannot afford to give up 6 hours of working  
17      time, never mind 80. They said, this is impossible.

18              They then asked us, will Cambria see my answers?  
19      Will Cambria know I was involved? This was often the end of  
20      our conversation with those larger companies who did keep  
21      more extensive records.

22                               STATEMENT OF EVAN KRUGER

23              MR. KRUGER: My name is Evan Kruger, Managing  
24      Member of Quartz Source, an importer and solid tops  
25      fabrication company. Because there is no quartz industry

1 trade association, the quartz coalition tried to organize a  
2 response to Cambria's petition and establish that  
3 fabricators are indeed part of the domestic industry.

4 Through personal appeals and e-mail blasts, we  
5 spread the word to at least 2,000 fabricators, including  
6 links to the questionnaires and ITC investigators' contact  
7 info for help with questions fabricators might have. These  
8 calls to action were repeated numerous times from December  
9 until a few weeks ago. Hoping for more, in the end, only 15  
10 fabricators responded with completed questionnaires.  
11 Whether petitioner made similar efforts, I do not know.

12 But apparently none of Cambria's fabricator  
13 customers such as FloForm Consolidated, Push Products,  
14 International Granite or Palmetto Surfacing, responded to  
15 the Commission's questionnaires, even though they have  
16 substantial production facilities and likely keep the  
17 in-depth data required. I believe their data will directly  
18 contradict petitioners' argument that fabricators play no  
19 significant role in the industry.

20 One common theme coalition members heard from  
21 fabricators was the fear of reprisals from petitioner if  
22 their participation was discovered. Substantial evidence of  
23 multiple lawsuits have been submitted regarding termination  
24 of their fabricator customers. Almost every fabricator  
25 knows a fabricator who's experienced intimidation or

1 termination.

2 Responses included, "If Cambria sees my name on  
3 that questionnaire, they'll shut me out of my sales booth  
4 and cut me off. I can't do it." And "If the Cambria police  
5 find out about this, I'm done." Several years ago, though I  
6 had no exclusive agreement with petitioner, nor their  
7 distributor, I, too, was cut off. Many fabricators were,  
8 and are simply too afraid of Cambria to respond to the ITC  
9 questionnaire, especially when the names of the companies  
10 would be publicly released.

11 STATEMENT OF RUPESH SHAH

12 MR. SHAH: My name is Rupesh Shah. I am the  
13 President of M S International, or MSI. We are a leading  
14 distributor of flooring, countertops, wall tiles, and  
15 hardscaping products in North America. We employ more than  
16 1,600 hard-working Americans across over twenty-five  
17 distribution centers in twenty-one states. I strongly  
18 oppose new duties on quartz. Imports from China have not  
19 injured U.S. quartz producers, including Cambria.

20 I am very proud of the history of MSI. We were  
21 founded in 1975 in the basement of our home in Ft. Wayne,  
22 Indiana, by my parents who had emigrated from India just  
23 five years earlier. In 1981, MSI supplied the black granite  
24 for the Vietnam Veterans Memorial here in Washington, just  
25 one example of the high-quality product that has defined

1 MSI's excellence and our reputation.

2 MSI entered the quartz industry in 2008 to  
3 complement our granite offering, which for fifteen years was  
4 our top countertop selling product. As recently as 2014,  
5 the "mass market" for countertops used in production homes,  
6 multi-tenant housing, and similar institutions was dominated  
7 by imported granite surfaces with relatively uniform colors.  
8 About 90% of the mass market was being served by granite,  
9 and only 10% by quartz surfaces.

10 Demand for quartz has gained ground and recently  
11 became more popular than granite in the mass market.  
12 Instead of granular and darker granite looks, everyday  
13 consumers now prefer quartz with white marble looks or  
14 neutral, monochromatic looks. These very popular, on-trend  
15 looks are simply not available in granite leaving a demand  
16 void in the mass market. Chinese quartz producers have  
17 filled this void by making attractive and mass market  
18 Calacatta and Carrara marble looks that consumers love.

19 Cambria was slow to adopt these consumer trends,  
20 focusing instead on more traditional and exotic granite  
21 looks. Even in 2019, most of Cambria's newest designs are  
22 very bold, unnatural looks that do not emulate natural  
23 marble looks, and particularly do not emulate Calacatta or  
24 Carrara marble looks. The vast majority of Cambria's  
25 designs are too ornate and polarizing to be suitable for the

1 mass market.

2 Put simply, Cambria caters to the luxury consumer  
3 and its brands is "The Art of Stone," whereas MSI's Guiding  
4 Statement is "To Make Dreams Attainable." We want to offer  
5 countertops that are both beautiful and affordable to  
6 everyday Americans. Cambria does not generally compete in  
7 the mass market where nearly all of our quartz is sold. In  
8 fact, while Cambria spends tens of millions of dollars  
9 annually to develop consumer brand recognition in the  
10 luxury segment of the market, MSI caters to the  
11 business-to-business segment of the mass market industry,  
12 with virtually no marketing dollars spent on  
13 direct-to-consumer advertising.

14 Demand for quartz today is strong. We expect  
15 demand for countertops to continue to grow, driven by strong  
16 new home construction and residential renovations, and  
17 overall mortgage affordability. Consumers will increasingly  
18 select quartz over other surface materials like granite,  
19 causing increased market penetration for quartz products  
20 over the next several years.

21 STATEMENT OF MATT HUARTE

22 MR. HUARTE: My name is Matt Huarte. I'm an  
23 Owner and Vice President of Arizona Tile, a leading  
24 distributor of tile and surface products in the United  
25 States. We were founded by John Huarte, 1964 Heisman winner



1 from Notre Dame, in San Diego, California in 1977. Since  
2 our founding, Arizona Tile has grown to twenty-seven  
3 locations in eight different Western states with 875  
4 employees. We sell quartz under our own Della Terra Quartz  
5 by Arizona Tile brand.

6 Quartz is not a commodity product. Far from it.  
7 People choose a countertop based on how it looks. It is a  
8 design product. The countertop is often at the center of  
9 the home, and so the look of the product is extremely  
10 important. It is like a piece of artwork. Mass market  
11 buyers like new homebuilders and developers are demanding a  
12 long-veined light-colored look that approximates the look of  
13 natural marble or quartzite. If a customer does not like a  
14 particular look, they will not buy it, no matter the price.

15 The quartz industry is booming. Quartz has  
16 overtaken granite as the top countertop solution in the mass  
17 market. As one of the largest distributors of granite in  
18 the United States today, we have seen this massive change in  
19 the market firsthand. We are already seeing the movement  
20 back toward granite as a result of lower availability of  
21 quartz from China due to this investigation.

22 U.S. producers, including Cambria, rely on the  
23 automated, expensive Breton Technology to create their  
24 designs, while Chinese producers use a different, handmade  
25 manufacturing process. There are benefits to Breton,

1 including a higher gloss finish and its more automated  
2 production process. The Chinese manufacturers create  
3 handmade natural-looking quartz products, including  
4 beautiful large white vein marble and quartzite looks.

5 Cambria's product is quite taste-specific. Our  
6 customers prefer quartz that looks like marble and the  
7 beauty of natural granite. We started as a natural stone  
8 distributor, and we know what natural marble looks like.  
9 The handmade quartz products made in China look just like  
10 real marble, in contrast with Cambria's artificial granite  
11 looks.

12 Finally, you have heard from several fabricators  
13 today about their high-quality products using specialized  
14 equipment and significant expertise. Most fabricators  
15 cannot buy and fabricate Cambria, because Cambria negotiates  
16 exclusive deals with preferred fabricators in each market.  
17 Most of our customers could not buy Cambria, even if they  
18 wanted to and are leery of Cambria, which is opening its own  
19 fabrication shops and eliminating long-term customers.  
20 Thank you.

21 STATEMENT OF MARISA BEDROSIAN KOSTERS

22 MS. KOSTERS: My name is Marisa Bedrosian  
23 Kusters. I am an Owner and the Legal Counsel of Bedrosians  
24 Tile & Stone. We have been operating in the United States  
25 since 1948 and are now one of the largest U.S. importers and

1 distributors of tile and slab. Bedrosians, a family-owned  
2 company, is proud to employ 1,000 Americans and operate  
3 forty nationwide retail locations. We sell many surface  
4 products, including natural stone slabs, porcelain panel  
5 slabs and engineered quartz slabs. We also have a  
6 fabrication facility in a small town called Fresno,  
7 California where our company was founded.

8 Bedrosians opposes the imposition of duties on  
9 quartz surface products from China. U.S. quartz producers,  
10 including Cambria, are not being harmed by imports from  
11 China and do not have the capacity to meet the recent surge  
12 in U.S. demand for this "hot" product.

13 U.S. demand for quartz surface products has  
14 exploded in recent years. It is now the number one surface  
15 product in America. Domestic demand for quartz has been  
16 driven by a boom in multi-unit condo and apartment housing  
17 and tract home construction, increased spending on home  
18 improvements, and increased customer preference over natural  
19 stone. Fabricators, including Bedrosians, also prefer  
20 working with quartz over other stone slabs because it is  
21 easy to cut and finish.

22 When our customers buy a countertop, that product  
23 may be in the center of their home for a lifetime. The  
24 customer therefore cares about design above all else.  
25 Chinese manufacturers offer designs, patterns, and color

1 mixes that are in high demand for the mass market.  
2 Cambria's Breton-produced designs do not include these  
3 looks.

4 I want to add a word about the fabricators.  
5 Bedrosians employs skilled production workers at our  
6 fabrication facility in Fresno, California, where we have  
7 made substantial investments, \$1.5 million, in automated  
8 fabrication equipment and shop improvement. This  
9 manufacturing should not be excluded from the domestic  
10 industry. These are hard-working Americans who contribute  
11 substantial "value add" to finished quartz surface products.

12 Finally, I want the Commission to know that  
13 Cambria's requested imposition of approximately hundreds of  
14 millions in retroactive duties industry-wide would put many  
15 small- and medium-sized American companies out of business.  
16 Put simply, this punitive tax threatens the very survival of  
17 many companies upon whom tens of thousands, if not more,  
18 Americans depend on for their livelihood. Thank you.

19 STATEMENT OF DREW MURRAY

20 MR. MURRAY: Good afternoon, my name is Drew  
21 Murray. I'm the Vice President of Business Development for  
22 MGroup. MGroup is a family-owned and operated business  
23 headquartered in LaGrange, Georgia and employing forty  
24 Americans. Our MStone business supplies cut-to-fit,  
25 finished countertops, primarily for the hospitality

1 business, and ships them directly to jobsites.

2 First, this petition was filed by a sole company  
3 without knowledge or consideration for the industry.  
4 Cambria's portrayal of the quartz industry is purely  
5 fictitious. The quartz industry is highly segmented. While  
6 Cambria focuses on the home and remodel business, they  
7 ignore vast segments of the market to their detriment.

8 As for my experience, Cambria does not serve the  
9 hospitality market. Having ignored these segments of the  
10 market, Cambria is now attempting to bully its way in and  
11 develop business without the acknowledgement, the realities  
12 of their production. The demand for these segments cannot  
13 and will not be met by the domestic industry.

14 Second, the Commission must make a negative  
15 critical circumstances determination. The retroactive  
16 assessment of duties on our imports will cripple our  
17 company. Our customers' orders are based on construction  
18 schedules, not the whims of the market or the supplier. We  
19 base all our sales on contracts. MGroup's imports of  
20 quartz products have always, including the period of the  
21 investigation, consistently been based on contracts to  
22 supply specific projects with specific custom products at  
23 the appropriate time in the construction schedule. Many of  
24 these projects are specified years in advance by hotel  
25 brands and the orders are placed months in advance to meet

1 project schedules. Our business carries no inventory and  
2 did not participate in a surge to avoid anti-dumping duties.  
3 We now supply our customers' needs from other resources.

4 The imposition of anti-dumping duties had the  
5 intended punitive impact on Chinese producers, effectively  
6 shutting down the industry's access to its largest market.  
7 Making those duties retroactive has no impact on the  
8 Chinese. It only punishes American companies like ours and  
9 puts American jobs at risk.

10 In my opinion, Cambria's understanding of the  
11 industry is naive. They ignore one essential factor in  
12 their arguments: the consumer. Consumer preferences are  
13 based on trends. First, it was marble, then we shift to  
14 granite and then quartz. Any perceived increase in quartz  
15 products over the last three years has been a direct result  
16 in a shift in customer preference from granite to quartz.  
17 Today, the trends are redefining the stone industry for the  
18 next product.

19 Cambria's manipulation of these proceedings is  
20 now affecting thousands of family-owned and operated  
21 businesses much like MGroup. I speak on behalf of my entire  
22 family in urging the Commission to issue a negative  
23 determination. The goal of this determination should not be  
24 to harm a family-run American business such as my own.  
25 Thank you for your time today and I look forward to

1       answering any questions you may have.

2                       STATEMENT OF JASON BROWN

3               MR. BROWN:   Good afternoon.   My name is Jason  
4       Brown.   I'm the Director of Product Management at  
5       Architectural Surfaces Group.   In this role, I negotiate and  
6       procure natural and engineered stone on a domestic and  
7       global basis.   I have worked in the natural and engineered  
8       stone industry since 2005.   I'm appearing today to testify  
9       against petitioners' critical circumstances allegation.

10              ASG is a building products company owned by  
11       Select Interior Concepts, a Delaware company that became a  
12       publicly-listed company on the NASDAQ Exchange in August of  
13       2018.   ASG imports and distributes natural and engineered  
14       stone slabs.   Based on ASG's experience and my personal  
15       knowledge of the market, I am not aware of U.S. importers  
16       engaging in stockpiling of Chinese quartz products after  
17       Cambria's filing of the petition.

18              ASG's import activity was driven by existing  
19       customer demand, long lead times associated with fulfilling  
20       that demand in an earlier established company initiative to  
21       expand inventory to meet growing demand.   The point being,  
22       these business concerns drove imports, not in an effort to  
23       circumvent tariffs.   My experience is that similar concerns  
24       were the motivating factors for our competitors.   There are  
25       several drivers behind imports during this period:

1           First, the demand for quartz countertops is  
2     driven by construction and renovation projects and, in  
3     particular, by finishing of projects. There are more  
4     construction and renovation projects being finished in the  
5     summer and fall. As a result, is it not surprising that  
6     more quartz products would be imported in May through  
7     October to meet demand in those months.

8           Second, ASG's import quantities in the months  
9     after petitioners' filings of the case were based on our  
10    internal projections of demand increase and a grow strategy  
11    established in late 2017 and the beginning of 2018, to  
12    increase our product offerings. In addition, we took on  
13    Lakeside Surfaces in early 2018 when Cambria refused to sell  
14    quartz to them, which required us to increase our purchases.

15          Third, many of the Chinese quartz products we  
16    imported are the unique design and aesthetic not currently  
17    available anywhere else in the world, including the United  
18    States. In the quartz countertop market, price is not a  
19    major consideration in consumers' purchasing decisions. As  
20    the acquisition of internal finishes tends to be a highly  
21    personal decision driven more by aesthetic than price.

22          I urge the Commission to reach a negative  
23    determination on critical circumstances. Thank you.

24                 STATEMENT OF QIAN JINGFEN (TRANSLATED)

25                 MS. JINGFEN: Good afternoon, Commissioners. My



1 name is Qian Jingfen and I am the Vice Chairman of China  
2 Chamber of Commerce of Metals, Minerals & Chemicals  
3 Importers & Exporters, or CCCMC. CCCMC, along with the  
4 China Stone Material Association, or CSMA, is an industrial  
5 association of Chinese quartz surface product exporters. It  
6 is my privilege to speak here on behalf of CCCMC, CSMA, and  
7 more importantly, all Chinese quartz surface product  
8 producers involved in the current investigation.

9           There are two points that I would like to discuss  
10 today. First, Chinese quartz surface products are much more  
11 limited in design and color ranges than U.S.-produced quartz  
12 surface products. These more basic and functional products  
13 are suited to the builder segment of the market or for  
14 commercial uses, such as restaurants or apartment buildings.  
15 The producers tell me that the residential market is more  
16 oriented towards appearance grade products and U.S.  
17 producers have dominated that market through innovation and  
18 by building brand recognition. As their questionnaire  
19 responses showed, Chinese producers do not use Breton  
20 technology and their product lines are more limited. Again,  
21 this is a function of the commercial and builder markets  
22 that don not demand these colors and styles.

23           Secondly, I want to explain why Chinese quartz  
24 surface products do not threaten the U.S. industry. Demand  
25 for quartz surface products has grown not only in the U.S.,

1 but also in China and in other third country markets where  
2 construction is growing and is projected to continue to  
3 increase. Chinese producers expanded their presence in the  
4 U.S. market during the POI in response to the increased  
5 demand in the sectors they serve, but Chinese producers have  
6 also significantly increased shipments to the market in  
7 China, as GDP and construction have continued to increase in  
8 China at strong rates and household income has risen,  
9 driving demand for quartz surface products.

10 In sum, we believe that there is no basis for the  
11 Commission to conclude that subject imports have materially  
12 injured or threaten to materially injure the U.S. industry.  
13 Also, we sincerely hope that based on an objective  
14 examination of all of the evidence on the record, the  
15 Commission will reach a negative determination. Thank you  
16 for listening.

17 STATEMENT OF JIM DOUGAN

18 MR. DOUGAN: Good afternoon, I'm Jim Dougan from  
19 ECS. Because much of the relevant data are proprietary, I  
20 have two versions of my presentation, a public version on  
21 the screen and distributed to the room, and a confidential  
22 version for the Commission and Staff's reference.

23 Demand for QSP in the U.S. market exploded over  
24 the POI as shown in Slide 1. In response to this expansion  
25 of the market, integrated U.S. producers are grew their

1 capacity, production and shipments substantially, as shown  
2 on Slide 2.

3 U.S. slab production is poised to continue its  
4 strong growth, with two additional producers, Dal-Tile and  
5 USA Quartz, beginning production after the end of the POI,  
6 and LG opening another production line in December 2019.

7 As you can see on Slide 3, notwithstanding the  
8 massive growth described above, a structural deficit exists  
9 in the U.S. QSP market. Demand for QSP far exceeds domestic  
10 industry capacity, even as reported. Thus, imports have  
11 been and remain essential to satisfying all demand in the  
12 U.S. market.

13 As explained at length in our pre-hearing brief,  
14 the U.S. slab capacity was overstated, and the domestic  
15 producers could not have increased production and shipments  
16 by significantly more than they did during the POI. So, the  
17 real structural deficit was even larger.

18 This factor helps to explain how subject import  
19 volume and market share could grow without causing injury to  
20 the domestic industry. The other key factor for the  
21 Commission to consider is attenuated competition between  
22 domestic producers and subject imports. Domestic producers,  
23 especially Cambria, are focused on the high end, luxury  
24 segment of the market, while subject imports serve the mass  
25 market segment.

1           In a recent earning call, Caesarstone's CEO  
2       attested to this attenuation, basically saying that 90% of  
3       the Chinese volume serves the low-end of the market, and  
4       Caesarstone places in the medium and premium end.

5           As for Cambria, not only does it not serve the  
6       mass market and builder segments, it appears to actively  
7       oppose doing so. You see in the quote from Cambria's  
8       website, which also has been deleted from their website,  
9       with them boasting about not being carried in big box  
10      stores.

11          And if I can correct something from the record  
12      this morning, the legend of Cambria movie is no longer on  
13      Cambria's website. The link to the legend of Cambria brings  
14      you directly back to their main site, but the movie is  
15      nowhere to be found anymore.

16          Moreover, Cambria has terminated relationships  
17      with its partners for even raising the suggestion that  
18      Cambria offer a product to address the builder segment of  
19      the market. This is all covered in Respondent's pre-hearing  
20      briefs.

21          Cambria has spent enormous sums on marketing and  
22      advertising to differentiate itself and its designs from  
23      other QSP suppliers, and to appeal to luxury buyers. Unless  
24      you think that this is just us imposing a categorization on  
25      them, they adopted this categorization themselves. There's

1       an interview transcribed in Exhibit 1 to Chinese  
2       Respondent's pre-hearing brief, where there's an interview  
3       between an interior designer and Summer Cass, who's the  
4       executive Vice President of Business Development of Cambria  
5       who says, "The commitment to be an American-made product  
6       comes from Marty Davis's desire to remove a luxury brand, to  
7       never compromise quality and service.

8               Cambria is committed to luxury and will not  
9       compromise that. It comes with a price, but we are pledged  
10      to the quality and brand. Bottom line is we will not make  
11      excuses for our product or price, instead we will continue  
12      to elevate the brand."

13             In response to that, the designer says, "I see  
14      Cambria as the McCleran of the auto industry, McCleran isn't  
15      introducing a more affordable division of their brand like  
16      BMW did with the 3 series. McCleran is committed to their  
17      brand and clientele and won't compromise price, quality or  
18      service to afford another division of clients."

19             Yes, to this the Executive Vice President of  
20      Business Development for Cambria responds, "Yes, exactly."  
21      So, they characterized themselves as committed to luxury and  
22      remaining in the luxury segment of the market and to not  
23      compromise that and to not compromise their price.

24             But since the growth has been even stronger in  
25      the mass market and builder segments, Cambria and the other

1 integrated producers have grown at a slower but still, very  
2 significant rate.

3 The difference in relative growth rates, you can  
4 see on Slide 5, of domestic and subject import shipments has  
5 led to a "small decline" in domestic industry market share.  
6 However, any decline in market share when demand and  
7 domestic industry shipments grew so much over the POI, does  
8 not constitute injury by reason of imports.

9 This was not displacement of domestic QSP by  
10 subject imports and this is supported further by the lack of  
11 material lost sales shown in the record. To the extent that  
12 subject imports have displaced any suppliers to the U.S.  
13 market, it appears to have been non-subject imports as you  
14 can see on this slide.

15 There were no observed adverse price effects.  
16 Domestic industry prices were generally increasing over the  
17 POI. Please look at Confidential Slide 6. Prices for  
18 domestic shipments were at their highest when import  
19 penetration was also at its highest levels. And there's no  
20 clear correlation between domestic prices and subject import  
21 prices.

22 Now, Petitioners have repeatedly talked about a  
23 declining unit value of U.S. shipments, okay? But if you  
24 look at Confidential Slide 6, the number that they're  
25 referring to is the second row of that table. That includes

1 the fabricators that Petitioners argue should be excluded  
2 from your analysis.

3 I invite the Commission to look at the unit value  
4 of Cambria's fab's which is also shown at row 3 here and  
5 decide whether Petitioners can make a credible claim of  
6 price depression. The Commission should draw the same  
7 conclusion from Confidential Slide 7, which is a graph of  
8 Cambria's slab product prices over the POI.

9 Now, please keep this graph in mind when you  
10 weigh the credibility of the testimony of Cambria's  
11 witnesses this morning who claimed that they have been  
12 unable to raise prices. I'll also remind you that these are  
13 the products that Cambria itself selected to show the  
14 greatest degree of head-to-head competition with the  
15 imports.

16 This is where they were going to be experiencing  
17 the most pain on their prices. Look at that chart. That's  
18 not price depression in any universe.

19 The pricing product data for the domestic  
20 industry in aggregate also show increasing prices for more  
21 than half of the products, therefore, no price depression.  
22 There's no price suppression for the reasons explained on  
23 Confidential Slide 8. And if subject imports -- and  
24 Commissioner Schmidtlein pointed this out this morning, if  
25 they were causing adverse price effects, one would expect

1 domestic industry pricing trends to be the worst in the  
2 products where subject imports are most concentrated.

3 But the exact opposite is true from the evidence.  
4 Products 3 and 4 jointly account for more than half of the  
5 pricing data reported for subject import slabs. As noted in  
6 the staff report, "domestic prices for products 3 and 4  
7 increased the most during January 2015 to September 2018."

8 As you can see on Confidential Slide 9, domestic  
9 producers increased their prices and shipment volumes for  
10 these products at greater rates than their overall U.S.  
11 shipments. So, the heaviest concentration of subject  
12 imports with large underselling margins served as no  
13 impediment to domestic producer's significant increases in  
14 pricing and sales volume.

15 Therefore, the underselling observed on the  
16 record is not significant. As shown on Confidential Slide  
17 10, the integrated producer's financial performance also  
18 shows no injury by subject imports. The lack of causation  
19 is most apparent when considering the improvement in the  
20 integrated producer's performance between the interim  
21 periods. See Confidential Slide 11.

22 In interim 2018, subject imports reached their  
23 highest absolute volume, value and market share of any  
24 period in the POI. At the same time, integrated U.S.  
25 producers experienced significant improvements in virtually



1 every performance indicator.

2 As for fabricators, Petitioners claim that they  
3 oppose the Petition because they benefit from unfairly  
4 traded imports. But the staff report shows that they  
5 performed worse than the integrated producers. And yet they  
6 did not claim that subject imports caused them harm.

7 The fact pattern you see on the record only makes  
8 sense in a market where there's limited competitive overlap  
9 between domestic producers and subject imports. This alone  
10 should be the basis for negative determination.

11 If such substantial increases in subject import  
12 volume and market share do nothing to inhibit such large  
13 improvements and domestic industry performance, the industry  
14 cannot claim that it's been injured by reason of subject  
15 imports.

16 Very quickly on threat -- the Commission has an  
17 unusually high foreign producer coverage here -- over 90%,  
18 so I think that they can very much rely on the data that  
19 they've received to draw conclusions from these producers.  
20 You can see that their utilization is up, their inventory to  
21 shipments ratio is down and then there's growing whole  
22 market demand.

23 The domestic industry is strong, performing well  
24 and is not threatened by future injury from subject imports.  
25 And just to add one thing -- in Petitioner's brief, and I

1 think in response to some of these questions about the  
2 improvement in 2018, they've kind of made this a linchpin of  
3 their case.

4 They've made some extremely misleading statements  
5 with regard to Caesarstone in 2018. I can't discuss this  
6 publicly, but if you take a moment to review Confidential  
7 Slides 12, 13 and 14, they lay out the facts and I invite  
8 the Commission to take a moment to review them and consider  
9 them and to consider the credibility of Petitioner's  
10 statements on that, thank you.

11 CHAIRMAN JOHANSON: Thank you all for appearing  
12 here today. We will begin Commissioner questions with  
13 Commissioner Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: Okay, thank you very  
15 much. I'd like to thank all the witnesses for being here  
16 today as well, it's very helpful for us to understand the  
17 case. So, I want to start with a basic question, and I  
18 don't know, this might be a question for the lawyers, but if  
19 one of the witnesses would like to answer, that would be  
20 fine as well.

21 Is it your position that the domestic industry  
22 doesn't compete with Chinese imports in any segment? So, my  
23 understanding is -- and we'll get to a question about how  
24 you defined mass market and commercial, but I just want to  
25 get on the record -- are you saying that domestic industry

1       doesn't compete with subject imports in any segment?

2               MR. PORTER:   Thank you, Commissioner, I'll  
3       start, and I'll ask our industry witness to comment. That  
4       is not the position of LG Hausys America and I want to  
5       because you very correctly this morning said, I like all the  
6       testimony, but can you show me a document to back it up.

7               So, I asked you to look at the confidential  
8       pricing list that was given as part of Mike Morici's  
9       statement. If you look here, you'll see they have divided  
10      up -- jumbo one is the imports and by the way that's imports  
11      from all countries, not just China. They -- LG Hausys  
12      America imports from a number of different countries.

13              If you look at the bottom, Group D, which is  
14      their highest end category of product, you'll see there is  
15      jumbo one, alpha, marble and jumbo two has four or five  
16      colors. Colors is their sort of, word for a combination of  
17      color design.

18              Jumbo two is produced in Adairsville, Georgia and  
19      there's four or five there. Jumbo one are imports. Alpha  
20      is called Calcutta alpha -- that is an import from China, so  
21      they have a Chinese product that they happen to sell at the  
22      very top of their product line. That top of their product  
23      line competes in the top end of the market.

24              Now, but very important to understand magnitude.  
25      They have a product that customers really like that came

1 from China and so they sold it.

2 COMMISSIONER SCHMIDTLEIN: And this is -- is this  
3 a marble-looking product?

4 MR. MORICI: Yes, this is a marble --

5 COMMISSIONER SCHMIDTLEIN: This is the marble?

6 MR. MORICI: This is marble looking.

7 COMMISSIONER SCHMIDTLEIN: So, marble style,  
8 let's call it marble style, that is sold in what you all are  
9 calling high-end luxury market?

10 MR. MORICI: Yes, yes, it is but in a small  
11 quantity.

12 COMMISSIONER SCHMIDTLEIN: Okay, so for the other  
13 defendants --

14 MR. STOEL: Commissioner Schmidtlein, this is  
15 Jonathan Stoel for the record. I want to invite our other  
16 witnesses to weigh in, but I think what you see is that  
17 there is very, very attenuated competition between these  
18 products and --

19 COMMISSIONER SCHMIDTLEIN: No, my question is, is  
20 it your position they don't compete in any segment? And if  
21 they do compete in a segment, which segment?

22 MR. STOEL: Yeah.

23 COMMISSIONER SCHMIDTLEIN: Do you agree with LG  
24 that there is competition in the high-end, what we've been  
25 calling the high-end luxury market?

1           MR. STOEL: I think there is very, very little  
2 competition. Let me explain why. I think there was talk  
3 this morning that perhaps confused the market segments. I  
4 think it's very important to define the market segments  
5 between luxury, which is really the premium and where at the  
6 very top of the scale, and then the mass market.

7           COMMISSIONER SCHMIDTLEIN: And is that just  
8 defining it by price, or how are you segregating it?

9           MR. STOEL: I think --

10          COMMISSIONER SCHMIDTLEIN: By end user, by look?

11          MR. STOEL: Yeah, I think it's really more about  
12 the user, let me give you a couple examples. For example,  
13 if you're in a hotel and you go to your room, there might be  
14 something in there that's made of quartz. That's going to  
15 be something for the mass market.

16          Multi-units, you're going to have mass market and  
17 that's going to be -- it could be from China. If you're in  
18 the lobby of the hotel, right, you walk in and you're really  
19 impressed by the lobby, that's probably a really beautiful  
20 thing that looks like marble, or it might look like some  
21 other very high-end product.

22          COMMISSIONER SCHMIDTLEIN: So, you're defining it  
23 according to who the end user is, so builders, hospitality,  
24 that is what you would call the mass market?

25          MR. STOEL: And especially, I think you've heard

1 from a lot of the witnesses that I invited Mr. Hires in  
2 particular, to testify, particularly in the multi-family  
3 apartment area where there's been really an explosion of  
4 growth. That's the type of mass market that Chinese  
5 products have been able to capture.

6 I think what Mr. Porter's been talking about and  
7 obviously LG is the domestic producer, they have to make a  
8 choice about how they allocate their own sales, but that's a  
9 very, very small part of the market.

10 Let me invite Mr. Hires and perhaps some of the  
11 other folks, some of the other fabricators, in particular,  
12 to weigh in.

13 MR. HIRES: So, if you're talking about the  
14 commercial markets, you know it's --

15 COMMISSIONER SCHMITLEIN: Well, I guess let's be  
16 clear what we're talking about, right? So, when you use  
17 that kind of term. I mean my original question was is it  
18 the position of the Respondents that the domestic industry  
19 doesn't compete in any segment with Chinese imports? So, if  
20 you can answer that question and then we could get to how  
21 are we defining those segments?

22 Or, you could answer all at once, but I'd like to  
23 hear whether you think there is competition, there is any  
24 competition?

25 MR. HIRES: Yes, there is competition between in

1       the multi-family market for instance. There -- let me  
2       define the multi-family. So, if you break down commercial,  
3       I feel that you have the multi-family market is one part of  
4       that. You've got the hospitality market is another part of  
5       that and then, what I'd define more traditional commercial  
6       -- that may be stadiums, hospitals, schools, those type  
7       things.

8               So, you're going to see some competition in the  
9       traditional commercial from time to time. On the  
10      multi-family side in apartments in particular, the Chinese  
11      imported product was really the traditional route to market  
12      that grew from granite.

13             It simply transitioned. There was granite that  
14      was coming from China into multi-family units and for  
15      instance we have a cabinet production facility. As a -- we  
16      would partner that with that multi-family product that came  
17      from China and sell the combined offering to the general  
18      contractor.

19             So, we saw almost no competition from domestic  
20      products in that market. It just wasn't in the multi-family  
21      side. In hospitality, I think there was limited competition  
22      there as well. In commercial you did see -- in true  
23      commercial, stadiums, hospitals, schools, you would see  
24      competition there.

25             COMMISSIONER SCHMIDTLEIN: Okay.

1           MR. WESSEL: Commissioner, Jared Wessel. I think  
2 one important way to think about it is --

3           COMMISSIONER SCHMIDTLEIN: Could you just please  
4 identify yourself -- I can't see your name tag?

5           MR. WESSEL: Sure, sorry, Jared Wessel.

6           COMMISSIONER SCHMIDTLEIN: Oh, sorry, okay, you  
7 said that.

8           MR. WESSEL: One way to think about it is there  
9 are people who purchase quartz surface products not knowing  
10 who the ultimate customer is. There are builders who are  
11 building something -- again, not knowing who is actually  
12 going to end up purchasing the product.

13           So, those people -- like if I was building you a  
14 house, they seek out a very neutral, color palette that the  
15 Chinese have really focused on. In contrast, there's a  
16 different part of the market what we're calling the luxury  
17 part of the market, where people are allowed and often buy  
18 very taste-specific products and that is the part of the  
19 market that Cambria has really focused in on serving.

20           And I think if you look in a lot of the documents  
21 that we have provided on the record, it is clear that that  
22 builder segment -- Cambria has essentially abandoned. This  
23 came out of the Lakeland case that we provided. It was a  
24 dispute between a former Cambria Lexus partner and Cambria,  
25 and I could just say it says that growth in the builder



1 segment would require lower cost options and alternatives to  
2 the Cambria product.

3 Cambria quartz is top of the line quality and  
4 expensive. In order to grow the builder segment, John  
5 Brack, who runs their Lexus program and I agree that  
6 different products would need to be offered and what they  
7 have chosen -- those Lexus providers such as CKF is offer a  
8 granite product for that builder segment of the market.

9 But it is clear from documents --

10 COMMISSIONER SCHMIDTLEIN: I mean I'm glad you  
11 brought that up because this is another sort of intertwined  
12 question here, which is to me when you read that, it sounds  
13 like they're saying yeah, we don't want to lower our price.  
14 So, I just want to understand -- you know, we want to stick  
15 with this price and we want just like you mentioned, the  
16 BMW, that also came to mind for me, right?

17 BMW had a certain brand and a certain price and  
18 they had it up here, and then they decided to introduce, you  
19 know, these series 3 or whatever they are and I don't know  
20 if they're down to series 1 now, but you know, so they could  
21 lower the price. And there were some people that said oh,  
22 that diluted their brand, you know, they shouldn't have done  
23 that. So, I see that but isn't the flip side of that the  
24 argument that yes, so the subject imports are being bought  
25 on price?

1           And if Cambria wanted to lower its price, then  
2           they would be competitive, and I guess then we could get  
3           into this question about -- I think that they don't offer  
4           marble-looking style countertops.

5           MS. MENDOZA: Commissioner Schmidtlein, this is  
6           Julie Mendoza. Just to get back to the point here though,  
7           just a little bit, which is that you know, certain companies  
8           --

9           MR. BURCH: Miss Mendoza, can you pull your mic a  
10          little closer?

11          MS. MENDOZA: Oh, sure. Certain companies like a  
12          Cambria, can make a business decision that they are going to  
13          make the most money by establishing themselves as a fashion  
14          luxury-type brand, and be committed to that market and be  
15          concerned about anything that they sell that diverts from  
16          that market and I think all of the things that you've heard  
17          people quoting from, suggests that that's very much their  
18          strategy.

19          I didn't hear anything in anything anybody said  
20          that they really wanted to enter into the lower priced  
21          market. So, I mean, the key feature here of this case that  
22          makes it so different from any case that the Commission  
23          normally sees, is that you really have a luxury consumer  
24          product involved here, where taste is a big part of the deal  
25          and where people, for reasons that may not be apparent to

1 Mr. Schagrin, are willing to pay \$2,000 more for a slab.

2 Well, why are they willing to pay more for a  
3 slab? I mean it's the same reason I joked with him, he has  
4 a Brioni suit on, you know, and I said it costs \$5,000, why  
5 didn't you buy your suit at Walmart, and he said because I  
6 don't like the way they look and I like the brand. I mean  
7 that's the reality that you're dealing with here, I think.

8 So, you know, the fact that there is some overlap  
9 and honestly we do not deny that at all and we don't think  
10 that it's necessary for you to find no overlap in order to  
11 find no material injury at all, but the fact of the matter  
12 is that Cambria may sell in some other markets, but that is  
13 not their core business, and that's not what they have built  
14 up over years and years and they're not going to threaten  
15 that brand.

16 You know, he said Ferrari, I'd say Chanel, I  
17 don't know, but you know, one of the two, that's what it's  
18 really all about here and I think that when you see that  
19 kind of price gap, consistently over a long period of time,  
20 and I'm talking, you know, we know what the gap is, and yet  
21 people are still holding on to their prices.

22 I mean how many witnesses have ever told you that  
23 they change their price once a year? And they raised it  
24 every year, I mean that's a luxury marketing process, you  
25 know.

1                   MR. DOUGAN: Commissioner, can I just add one  
2                   thing, Jim Dougan from ECS. I know, but when you talk about  
3                   BMW introducing the 3 series, they didn't lower the price of  
4                   the 7 series. They introduced something else and brand  
5                   dilution, whatever, I mean I'm sure they've made a lot of  
6                   money from the 3 series, right, otherwise they wouldn't  
7                   still make it.

8                   But also, you know, you had the testimony of the  
9                   witnesses from LG Hausys today who said you know we offer A,  
10                  B, C, and D and us selling A and D has not -- has actually  
11                  helped us grow the sales and increase the profitability of  
12                  our domestic operations that sell the C and D.

13                  So, the idea that the introduction of a different  
14                  product, not lowering the price of your existing product,  
15                  but a different product for a different segment of the  
16                  market is akin to price depression or suppression I think is  
17                  not --

18                  COMMISSIONER SCHMITLEIN: Well, that's the  
19                  question I guess, and I've got to pass it on to Commissioner  
20                  Kearns, but how is it a different product?

21                  COMMISSIONER KEARNS: Yeah, I'm -- I'll continue  
22                  on with that. I mean Mr. Dougan I think you've raised some  
23                  questions I want to get into about the numbers here. I  
24                  think there's some really good questions on the numbers, but  
25                  to stick on market segmentation here.

1                   I mean I think I just find this incredibly  
2           nebulous and I think what got me stuck the most in the  
3           testimony is the statement was made by Mr. Murray, Cambria  
4           does not serve and has expressed no intention to serve the  
5           hospitality or multi-family housing industries.

6                   I don't have a lot to go on in this record that I  
7           can say but I do have three pictures from the Petitioners --  
8           one showing that their products are sold to Embassy Suites,  
9           one was sold in 130-unit condominium and one in a Doubletree  
10          Inn, so that doesn't seem to be true. I mean our staff  
11          import data, tell me what you all think about that but like  
12          when I'm looking at this, I'm having a hard time seeing that  
13          there's a big difference between the Chinese product and the  
14          U.S. product other than price.

15                  I do think that it's, you know, maybe we didn't  
16          ask the right questions. I mean aesthetics is different  
17          than quality for example, so I get that. And maybe we're  
18          not really finding the right way to address aesthetics, but  
19          I mean it sounds like there are some Chinese products that  
20          are aesthetically pleasing to many people at the high-end  
21          market as well, so I'm struggling with that.

22                  MR. STOEL: Commissioner Kearns, might I?

23                  COMMISSIONER KEARNS: Well, hold on one second.  
24          Let me just finish because I'm -- I want you to respond to  
25          all of this. The Petitioner slides, like I said, the

1       hospitality issue, I don't see anything there.

2                   Just that you point out that 50 out of the 120 of  
3       their sales people are serving the commercial market. I'm  
4       also now sure how, you know, we said well let's define this  
5       as you know, commercial segment versus residential, but as  
6       I'm hearing it like the hotel, well there's the second  
7       floor, third floor segment versus the lobby -- that's  
8       different.

9                   And when I saw the product this morning, I mean I  
10      don't know if you have any samples, but you hear, you talk  
11      about how exotic the Cambria product is. I didn't see that  
12      this morning. They didn't look exotic at all to me, I was  
13      pretty disappointed with how exotic the product was this  
14      morning. And some of them looked like maybe they were  
15      higher quality than the Chinese product. On others, the  
16      Chinese product looked a little bit higher quality, so help  
17      me through this market segment thing before I get to the  
18      other questions about the numbers that Mr. Dougan had  
19      please.

20                   MR. STOEL: Commissioner Kearns, Jonathan Stoel  
21      for the record.

22                   COMMISSIONER KEARNS: Yeah, that's exotic, I'll  
23      give you that, yeah, so that's Cambria right there.

24                   MR. STOEL: Yeah, you asked about it look, and I  
25      saw this slide and actually we showed it to your staff when

1       they came to visit with our fabricator friends. And I want  
2       you to look first at what's in the foreground, okay, and let  
3       me just talk about that a little bit.

4               This, like all U.S. manufactured Quartz, is made  
5       with Breton Technology. That's really very important  
6       because I think when you look at a product, the Commission  
7       rarely ever sees this, but these products are made  
8       fundamentally differently. Breton Technology, Mr. Davis and  
9       his colleagues decided to pay millions and millions of  
10      dollars for this technology to make a very unique  
11      specialized product.

12             And you heard about LG Hausys and things they've  
13      done with their also, Breton Technology. So, it's a  
14      different kind of product -- made a different way.  
15      Secondly, in terms of luxury and what people are trying to  
16      market. You've heard about how much money they're spending  
17      on advertising and it's been successful, they've been very  
18      successful and so congratulations to Cambria on a long track  
19      record of success.

20             Look at what they're marketing. What's in the  
21      foreground? Exotic, very different look, right? Looks  
22      what's in the background. The white colors that you've been  
23      hearing about that are exploding in the mass market, that  
24      are exploding in the apartments, the multi-apartment  
25      buildings that are exploring, as you said on the second

1 floor and the third floor.

2 You might put what's there in the front in the  
3 lobby of the hotel because you want the, you know, like my  
4 guests here today, they came into D.C. and they want to see  
5 something spectacular in the lobby, they might put that in.

6 Or, we were talking earlier, maybe Derek Jeter  
7 puts that in his house or maybe somebody was joking, maybe  
8 that's what's actually in the people that work for him, in  
9 their house. But the point is that's what you put where you  
10 want people to get attention and to be very specialized.

11 What's in the background, which they don't really  
12 want to sell because clearly you wouldn't put it in the  
13 background. That is a color that's neutral. That's  
14 something where if you want to sell the home. If my wife  
15 wants to buy a home, she tells me what to do, she'll say I  
16 don't like that color Mr. Stoel, I don't like that color  
17 Jonathan, so I'm not going to buy the house.

18 But maybe if she saw the white, she would think  
19 it's okay and not be as offensive to her or difficult for  
20 her. So, the point is if you're going to put a more  
21 neutral, a more normal looking color in the back.

22 And this is what Cambria is focused on. These  
23 are the kinds of things that they have done very, very well.  
24 I also want to make a point consistent with Mr. Ward and Mr.  
25 Shaw's testimony. What product does that look like? Does



1       it look like marble? Like the Calcutta that people keep  
2       talking about at least in my case I can't pronounce very  
3       well? No.

4               It looks like granite. Cambria's products again,  
5       very beautiful for a certain taste, a certain way of look.  
6       Their products look a lot like granite and what they didn't  
7       show you this morning when they had their slide, and their  
8       lawyers are very good. I like what they did, they didn't  
9       show you a tower of granite, and do you know why Mr. Kearns?  
10      Because, Mr. Kearns, because it looks a lot like that.

11              They adopted the granite looks. They did very  
12      well in that look and they, as Mr. Davis testified, they did  
13      a very nice job of growing the market, but they did not  
14      shift to this other style that's taken off in the mass  
15      market. But you know, Mr. Yoltay maybe wants to weigh in a  
16      little bit on this.

17              MR. YOLTAY: Thank you, Josh Yoltay. I totally  
18      agree with that. It's an undeniable fact that we do use  
19      Cambria on the commercial projects, and we need to open what  
20      is commercial project. On the commercial project it's used  
21      very limited. Again, it might be with the Ritz Carlton, in  
22      the you know, lobby area.

23              I do custom mill work jobs, again very high end,  
24      they use only where you enter the building to impress you in  
25      the first place and the rest with the bathrooms, anywhere

1       else, showers, they usually go with the standard looking,  
2       not dominant looking colors from overseas.

3               I would not care, Chinese or anywhere, but  
4       overseas colors they are going with which is steady and  
5       not-dominant.

6               COMMISSIONER KEARNS: Thank you, that's helpful.

7               MS. MENDOZA: Commissioner Kearns, could I just  
8       add one thing.

9               COMMISSIONER KEARNS: Yeah, yeah.

10              MS. MENDOZA: I think the other thing is that you  
11       know, because of the unusual nature of this product you  
12       know, being kind of a consumer product unlike a lot of them  
13       the Commission sees. In addition to all of the things that  
14       you've heard, you know, it's not really always just about  
15       comparing the two and figuring out if they look alike or  
16       not, its' how things are marketed to people too.

17              And you know, it may not be so easy to tell the  
18       difference between you know, I don't know a Gucci bag and a  
19       Macy's bag if you look at them, but the fact of the matter  
20       is that they are sold in very different markets in part  
21       because it is selling to customers and convincing them that  
22       this is a very high grade product, it's very special, you  
23       put it in your house, you can tell people you have Cambria  
24       in your house, it's going to make a difference.

25              So, I think just looking physically at the two

1 products when you have a consumer product like this, isn't  
2 quite enough, which is what I think you were alluding to  
3 about the appearance, but I think it's even -- it's not just  
4 people's taste, it's also just the fact that you have a  
5 fashionable or sophisticated product that people want to  
6 buy, I mean, what else explains the fact like Mr. Schagrin  
7 was saying?

8 If somebody walks into a store and this costs  
9 \$2,000 more than this and people still buy the \$2,000  
10 product, because they do because we know that their sales  
11 haven't gone down, they've been stable or gone up exactly,  
12 because of demand. So, there has to be something explaining  
13 why that's happening and I think that the answer to that is,  
14 you know, what they're saying, but it's also the fact that  
15 people are just willing to pay more for a product that they  
16 have been convinced is of a higher value and more attractive  
17 and something they can say I've got Cambria in my house, you  
18 know?

19 COMMISSIONER KEARNS: Yeah, which is a little  
20 different than what I was saying about aesthetics. I think,  
21 but that's another point, well that's helpful. Mr. Porter?

22 MR. PORTER: I'm sorry, really quickly,  
23 Commissioner Kearns, I just want to sort of make sure we're  
24 grounded, okay. The idea of market segmentation is an  
25 explanation to explain really hard data and I want to look

1 at Mr. Dougan's Slide 7, okay?

2 The market segmentation is explained how is this  
3 that Cambria can increase their prices so much with the  
4 rapidly increasing Chinese product? Its market segmentation  
5 is the answer. It's not the end result. That's the point I  
6 want to make.

7 So, you could literally say well, I can't  
8 understand market segmentation, but I have hard data that  
9 disproves Cambria's theory.

10 MR. JACOBSON: Commissioner Kearns, just briefly,  
11 Mike Jacobson from Hogan Lovells. You asked about the  
12 differences in aesthetics between the products, and I just  
13 wanted to direct you to Exhibit 4 and Exhibit 18 of joint  
14 Respondent's brief. There's a good deal of information  
15 there about the differences in aesthetics. I think it's  
16 fairly stark, so I encourage you to look at that.

17 COMMISSIONER KEARNS: Okay, thank you. So, just  
18 to wrap this up. Mr. Stoel, the slide you presented is  
19 helpful. That does give me the exotic look I'm looking for.  
20 I think what I need and as you know this morning I asked the  
21 Petitioners you know, I'm not entirely sure how best they  
22 can do this but if they show me whether by sku or by  
23 purchaser, however, you know, more aggregate data on their  
24 business, that would be helpful because I think what  
25 concerns me here is yeah, if I knew that that's most of the

1       -- and that kind of thing is most of what Cambria is doing,  
2       then that would be pretty persuasive, but I don't know that,  
3       I don't know if that's a small -- very small part.

4               It's like I'm going to get into trouble here if I  
5       try to talk about Chanel, but Miss Mendoza, you mentioned  
6       Chanel, but you know I know the fashion, every Paris fashion  
7       show or whatever isn't necessarily what you're going to be  
8       selling in the, you know, in the commercial market right?

9               So, like -- so I need to understand, I don't know  
10      how you guys can help us with that but if there's some way  
11      that you can say yes, believe it or not that is the bulk of  
12      Cambria's market, that would be helpful or anything else you  
13      can do to kind of in the aggregate, help us understand how  
14      this differs, that'd be helpful.

15              MR. STOEL: Commissioner Kearns, we'll do that  
16      and I ask one quick moment of your time and that is you  
17      know, you heard Cambria describe its own products this  
18      morning and let me just recount what they said. This is Mr.  
19      Marchese "we promote exclusivity". Mr. Davis "selective".

20              So the point is, they're not just picking the  
21      average American, they're looking for a very unique kind of  
22      customer, who might like that. Again, they're making a lot  
23      of money and fortunately for them they've been able to raise  
24      their prices contrary to what was said this morning.  
25      They've been raising their prices throughout the POI.

1                   Again, we want them to do well but they are doing  
2                   very, very well.

3                   COMMISSIONER KEARNS:   Okay.

4                   MR. STOEL:   But again if you can just give me  
5                   some aggregate data that would get me even farther but we  
6                   will do that, Commissioner.

7                   MS. MENDOZA:   But I think your point actually,  
8                   Commissioner Kearns is exactly on the mark.   I mean, this is  
9                   the stuff you show at the Paris show but then people are  
10                  willing to pay the other things that you sell at a higher  
11                  price, right?

12                  I mean you lead with this because then you say  
13                  "oh, look.   Look at this great product and then you can  
14                  charge a lot more for all the products that you sell so I  
15                  don't think it's so much about the fact of how much exactly  
16                  do they sell of this particular style, and maybe it's a lot  
17                  -- I don't know but the fact of the matter is when you show  
18                  people that this is what you can do and everybody goes "wow,  
19                  it's so impressive" you can also charge for that plain  
20                  product more too.   And in fact they do.

21                  COMMISSIONER KEARNS:   Okay, thank you.   My time  
22                  is passed.

23                  CHAIRMAN JOHANSON:   Thank you all for being here  
24                  today.   Should fabricators be excluded as related parties if  
25                  their imports of Subject Merchandise suggest that they are

1       reliant on Subject merchandise for their slab?

2                   MR. PERRY: I'd like to respond to that, William  
3       Perry. I think that we've heard from Mr. Schagrin this  
4       morning that we're talking tens of thousands of fabricators.  
5       This is the problem. We were told by the Stone Institute  
6       4000, now people are saying ten to 15,000 with potentially  
7       over 200,000 employees that are not all doing just Chinese.

8                   Many fabricators don't know what they're  
9       fabricating. They just fabricate. There's guys from the  
10      high end to the low end. This is the problem. You asked  
11      one question I wanted to answer. Does it matter if the  
12      fabricators are in? Roger Schagrin said no. My answer is  
13      yes because then you have a substantial evidence problem.

14                  You have responses from less than one percent of  
15      the industry. Please look at the Chun Ling case and what  
16      the court said then. Now I ask somebody else to speak.

17

18                  MR. STOEL: Excuse me Chairman Johanson, this is  
19      Jonathan Stoel. As I said in my opening statement, the  
20      Petitioner included fabricators in the Domestic Industry.  
21      They're the ones who included fabricated product so they  
22      have to be included in the Domestic Industry by their own  
23      admission.                   Now they will try to come  
24      back and say the fabricators should not be included. I  
25      would suggest to you that this is a little bit similar to in

1 a steel case. If U.S. Steel were to say that AK Steel  
2 should not be included because it's a much smaller company.

3 I don't believe our trade laws are about  
4 excluding small and medium sized companies, these are  
5 American workers. Your staff has visited them doing their  
6 manufacturing work. I mean, it's really stunning to me that  
7 the Petitioner is trying to exclude hundreds if not  
8 thousands of companies and thousands of American production  
9 workers. They are making products in the United States just  
10 like Cambria. I'm sorry, I think it's really just not the  
11 way to go.

12 In terms of your question, I think the Petitioner  
13 is perhaps confusing the issue. There is no allegation here  
14 that the fabricators are related to the Chinese companies.  
15 These are independent American companies. They are not  
16 related to Chinese Producers or exporters. They happen to  
17 buy, as Mr. Perry said, Chinese quartz, American quartz.

18 You've heard from several fabricators who buy  
19 from Cambria so there's no issue here about relationship  
20 which is traditionally what you all have looked at. These  
21 are all Americans making products here in the United States.  
22 They are investing in their workers, they are investing in  
23 American Manufacturing. So I think Petitioner is throwing a  
24 lot of dust at you and I urge you not to be confused by  
25 that.



1                   MS. BEDROSIAN: This is Marisa Bedrosian. I just  
2                   want to add one more thing. You know, we're not just  
3                   talking about prefabricated slabs here. We're also talking  
4                   about unfabricated slabs and so an unfabricated slab cannot  
5                   be installed on a countertop unless it has the fabrication  
6                   work done to it. So a lot of our fabricator customers  
7                   actually consider themselves the second factory.

8                   I think that some of our fabricators can talk to  
9                   you about the value add. It's very significant, it's more  
10                  significant than the actual product itself and so for that  
11                  reason I think that they should be included as a producer.

12                  MR. PERRY: William Perry. I just had one last  
13                  thing. Please look at the statute and the legislative  
14                  history. Nobody mentioned it this morning; 19-USC-1677-A4.  
15                  The producers as a whole of the like-product. Look at the  
16                  legislative history. 1979.

17                  The Senate Finance Committee was very clear. All  
18                  producers in the United States of the like-product are in  
19                  the industry. I think the 6-factor test is an exception.  
20                  What's happening here is a 6-factor test, it's swallowing  
21                  the statutory language and the legislative history and I  
22                  think there's a problem with that.

23                  MR. BUTLER: HI, this is Tim Butler. I just  
24                  wanted to add that the figures that I gave on value add did  
25                  include material yield loss so they are accurate.

1                   CHAIRMAN JOHANSON: Thank you for your responses.  
2       There's something the Petitioners raised in the brief that I  
3       just wanted to discuss, it's probably not the most pleasant  
4       subject. In its prehearing brief Petitioners allege  
5       coaching the fabricators on questionnaires.

6                   Should the Commission discount fabricators  
7       responses to the questionnaire concerning issues such as the  
8       complexity of fabrication as they were allegedly coached to  
9       respond that it is indeed very complex?

10                  MR. PERRY: This is William Perry from the Law  
11       Firm of Harris Bricken. There was no coaching. I didn't  
12       even look at any questionnaire before it was filed at the  
13       Commission. If there were any questions I referred them to  
14       Larry Jones. I did it so many times I can recite his phone  
15       number, 202-205-3358.

16                  I made it very clear, I do not look at  
17       questionnaire responses before they are filed so there is no  
18       coaching. More than that, even our guys explained what we  
19       were doing. We were pleading with fabricators to respond to  
20       the questionnaire. If we were leading them how did we have  
21       only 15 responses? And we were trying to get these guys to  
22       respond because we know how important it is for your  
23       database and we always included links to the Commission's  
24       questionnaire and also to the phone number for Larry Jones.

25                  MR. KECK: Commissioner, I'm Jeff Keck from

1 Marble Uniques. I can tell you I'm clearly the smallest  
2 fabricator in this room that's been giving any testimony and  
3 I was not coached whatsoever. I'm a small company. I'm the  
4 owner, I manage the process. I manage the sales, I do  
5 everything. Luckily enough I'm also a former CPA.

6 It took me hours of sifting through data, trying  
7 to go over everything and going back and forth to determine  
8 everything matched from question to question. It was  
9 extremely difficult and several industry events I talked to  
10 others who said it was overwhelming because they don't have  
11 my background but I can tell you I wasn't coached whatsoever  
12 on any of that so everything I've submitted is accurate  
13 based on my company and my efforts.

14 MR. BUTLER: Tim Butler again. I didn't know  
15 coaching was available. (Laughter)

16 I found it very complicated.

17 MR. VOTTAY: I have not been coordinated by  
18 anyone or coached but I want to put it plain up there, just  
19 like right now if I asked to Commission Johanson "Do you  
20 want drill on your sink, miter cuts?". You will ask me to  
21 explain what I mean so as a fabricator the question with  
22 regard is not our daily operation terminology so we needed  
23 to ask help -- what does that mean, what does this mean?  
24 So our accountant and our CPA then took an action how to  
25 field those.

1           Please take into consideration this is not our  
2     daily operation, that kind of questionry. In order to pass  
3     accurate information to you we had to ask questions and we  
4     got help for clarity, thank you.

5           MR. STOEL: Chairman Johanson, Jonathan Stoel for  
6     the record. I just wanted to take the opportunity to thank  
7     your staff. As Mr. Perry said, we all tried to get as many  
8     fabricators as we could to respond to the questionnaire. I  
9     think you've heard from the witnesses how many of them  
10    responded.

11           I just wanted to point out that there were  
12    certain exhibits that the Petitioner pointed to as  
13    allegations of coaching. None of those exhibits or  
14    documents were prepared by Hogan Lovells nor by anyone who's  
15    been working with us.

16           CHAIRMAN JOHANSON: Alright. Thank you for your  
17    response. I've got just one more question for fabricators  
18    if we can make it. If most fabricators oppose the petition,  
19    does this suggest that they are not members of the Domestic  
20    Industry?

21           MR. PERRY: No I think as Judge Carmen said, just  
22    the opposite. They are members of the Domestic Industry but  
23    they oppose the Petition. Judge Carmen who later became  
24    Chief Judge Carmen of the Court of International Trade made  
25    it very clear in Chun Ling. He said if not enough companies

1       respond who are members of the Domestic Industry respond to  
2       the questionnaire then an adverse inference should be taken  
3       against the Domestic Industry.

4               Cambria is here, think of this. This is a unique  
5       case. Cambria is coming out saying "look at me alone.  
6       Ignore ten, 15 thousand companies out there in the Domestic  
7       Industry. I'm the only one. Oh by the way, also ignore the  
8       glass industry". We put in exhibit one of our brief Evan  
9       Kruger here who is an expert on glass. He started  
10      exporting/importing in 2009. There are Domestic Producers  
11      of glass in this industry and yet Cambria says "I represent  
12      all of them".

13             I started at the ITC in 1980, the Atlantic Sugar  
14      Case quoted in my brief was my case at the ITC. I have  
15      never seen one company come in and say I represent this  
16      gigantic industry. That's what Cambria is saying. So no,  
17      that's an adverse inference. These companies by not  
18      responding to the questionnaire, now why do you think --  
19      maybe we're showing our opposition.

20             MR. STOEL: Chairman Johanson, Jonathan Stoel. I  
21      just want to point out, it was pointed out by our witnesses.  
22      Cambria brought out several fabricators with them today.  
23      None of them apparently have responded to your  
24      questionnaires.

25             We again have done everything we could to give

1       you as full of a record to rule upon and we firmly believe  
2       that whether you look at slabs or combined industry or  
3       fabrication there is no material injury but there appears to  
4       be their only disenfranchise as I said but also obstruction.  
5       They brought witnesses before you. They should know. Mr.  
6       Schagrin's been doing this a long time.

7               My mentor, Mr. McConnell surely knows Mr.  
8       Schagrin and we respect him and his team but to bring a  
9       bunch of witnesses before you who have not filled out  
10      questionnaires that none of us has been able to see. I  
11      really hope they are going to submit those questionnaires  
12      today because how are we supposed to argue for our clients  
13      and defend the fabricators who are many more workers than  
14      Cambria if they won't submit questionnaires?

15             I'm really, really surprised by this and frankly  
16      the allegations against us were frankly disappointing.

17             MR. CRAVEN: I just want to add one other point.  
18      One of the witnesses that -- I'm sorry -- Mr. Craven,  
19      Sandler Travis. One of the witnesses today in fact  
20      testified that she had done substantial upgrades of her  
21      equipment and had over a hundred employees. It is  
22      obviously a substantial participant in the fabrication  
23      industry as she testified this morning and that would be  
24      Bush products.

25             Yet, we're now being told that fabrication is

1 irrelevant. Their own witnesses disagree.

2 MR. PERRY: Perry from Harris Bricken. Just one  
3 last point. The fear of Cambria is real. I saw it. I saw  
4 a huge production fabricator, the guy said I will not speak  
5 to the ITC. Larry Jones sent me an email, I forwarded it to  
6 them. They said do not give my name to the ITC. They were  
7 scared out of their wits of Cambria finding out.

8 The point is, when you asked them about these  
9 lawsuits this morning they said well it's intellectual  
10 property. It's not, it's termination of fabrication with  
11 like a week notice. One company, Lakeshore, was literally  
12 using 98 percent Cambria and they terminated him. This is  
13 real fear. I have never seen so much fear.

14 CHAIRMAN JOHANSON: Thank you for your responses.  
15 My time has expired. Commissioner Williamson?

16 COMMISSIONER WILLIAMSON: Thank you, Mr.  
17 Chairman. I too want to thank all of the witnesses for  
18 coming today. I don't think I've ever seen so many  
19 witnesses at a hearing like this. Which also leaves me, I'm  
20 not sure where to start.

21 Mr. Kruger, I think you said that you had been  
22 cut off by Cambria.

23 MR. KRUGER: Yes.

24 COMMISSIONER WILLIAMSON: Could you either now or  
25 posthearing go more into the explanation of that and how it

1 compares to what they said this morning about selecting  
2 partners?

3 MR. KRUGER: It is true but if you don't mind for  
4 proprietary reasons I would like to reply to that in  
5 confidence in the posthearing brief.

6 COMMISSIONER WILLIAMSON: I fully understand  
7 that. I would appreciate that very much. Mr. Stoel, your  
8 picture there, I just can't get it out of my head because we  
9 spent like 8 hours at the Cambria factory and I saw a wide  
10 variety of things but I never saw anything like that. So I  
11 just realized we saw a whole lot of a whole lot of different  
12 types of products so I just, that whole discussion about  
13 that just --

14 What I saw bothers me in terms of what I saw, but  
15 I don't know whether it's worth going into a debate about  
16 that since I think Commissioner Kearns has already asked to  
17 give details about SKUs and all that kind of stuff, and that  
18 may help address some of this question.

19 MR. STOEL: Well, Commissioner Williamson, I  
20 just want to point out, this came straight off their  
21 website. This is the first thing that appears when you  
22 click on Cambria, and they have beautiful products. But  
23 this is what they themselves, the luxury brand that they  
24 are, are trying to sell. I mean, look at how--again, it's a  
25 beautiful product. But I would invite some of the industry



1 witnesses just to weigh in, because I think it's a really  
2 important question and I want to make sure--

3 COMMISSIONER WILLIAMSON: I mean you can  
4 contend, yes, there's this, but I also heard from different  
5 people, the Chinese do this, they do that. Maybe these  
6 companies do all of these things.

7 MR. KECK: Commissioner Williamson?

8 COMMISSIONER WILLIAMSON: And I--yes?

9 MR. KECK: Jeff Keck, Marble Uniques. I would  
10 like to respond to what Mr. Kruger said in this, as well.  
11 It's completely different in Indianapolis for us. The  
12 characterization that Cambria is right next to every other  
13 product, I can't buy Cambria slabs. I can't fabricate  
14 Cambria slabs for individual residential customers. They're  
15 sold through cabinet shops, and designers, as they talk  
16 about, they have their own fabrication facility there.

17 The people who come to my office, they come to  
18 see what we have, it's very rare that they've ever talked to  
19 Cambria. They don't know about Cambria. They come in and  
20 they look at my offerings. If they want tiger stripe, which  
21 is what I would call that, they're going to buy granite from  
22 me. They're not going to buy quartz.

23 And there's something that I think that's been  
24 missing is that there is another competitor in this market.  
25 There is granite. And in my market, right in the middle of

1 the United States, I'm just south of Kokomo, okay? The  
2 average price of a house in Kokomo is \$120,000. They can't  
3 afford this.

4 And so that's a portion of a mass market that my  
5 customers come and they do want quartz, and they do look at  
6 this other monochromatic product because they can get  
7 quartz. It's exactly what Mr. Shah said, that they're  
8 living the American Dream but they're not going to buy a  
9 Ferrari. They can't afford a Ferrari. And they're not even  
10 there looking for it. So the hint that I'm selling them  
11 something different at a lesser price is not true.

12 And the last aspect of that is, for us, is that  
13 we take every job individually. We look at the components  
14 of the complexity of the job, the installation requirements,  
15 the cost of the raw material slabs. That all goes into an  
16 equation for us. And in certain instances if I judge a job  
17 and my overhead and sales need is more expensive than a  
18 competitor, I may price it higher. If my operation of my  
19 business and the efficiency of my equipment to cut that slab  
20 allows me to have higher utilization, my costs may be less.  
21 But I'm not cutting my price to take jobs away from Cambria  
22 or any other quartz manufacturer, and I offer LG Hausys,  
23 Caesarstone, and a number of other lines from importers such  
24 as Marissa.

25 COMMISSIONER WILLIAMSON: Okay. Let me ask LG

1       this question, because I agree Cambria is only one of the  
2       producers in the domestic industry, of the domestic  
3       producers.

4               Your Table 3, which I know is proprietary, but  
5       the way I look at it, and tell me if this is correct, it  
6       looks like you are making domestically produced product in  
7       each of the different categories that you've listed here.  
8       Is that a fair statement? There may be one I don't see, but  
9       that's sort of in the middle.

10              MR. MORICI: This is Mike Morici. Are you  
11       referring to this chart here, Congressman Williamson? Or  
12       the price--

13              COMMISSIONER WILLIAMSON: I guess on the  
14       nonclassified version, the chart, Table 3.

15              MR. MORICI: And, I'm sorry, can you repeat the  
16       question again?

17              COMMISSIONER WILLIAMSON: I guess the question  
18       is: Are you--it says the JUMBO 2 colors are manufactured in  
19       the USA. So I see that in almost every category--

20              MR. MORICI: Yes, that's correct.

21              COMMISSIONER WILLIAMSON: --of the groups. So  
22       you're basically in all of the different, I guess you might  
23       say, whatever you want to call them, price points, market  
24       levels, you're making domestically produced product in  
25       those?

1           MR. MORICI:   Yes, we are, except for Group B,  
2           and they are in different volumes.  Not all the volumes of  
3           what we produce is the same in each grouping.  So, for  
4           instance, we produce higher volumes in certain groups other  
5           than others.

6           COMMISSIONER WILLIAMSON:   What can you say  
7           that's not business proprietary about either your philosophy  
8           or approach to what you're producing at the different price  
9           points that you're trying to sell at?

10          MR. MORICI:  So--this is Mike Morici--so I just  
11          wanted to make clear that for us our Group C and D, which is  
12          our marble-looking, vein-looking product represents 80  
13          percent of what we produce out of our Adairsville factory in  
14          Georgia.

15          COMMISSIONER WILLIAMSON:   Okay, I'm just--go  
16          ahead.

17          MR. PORTER:   Dan Porter.  Yes, Commissioner  
18          Williamson, you can kind of see that also from this very  
19          chart.  If you look at the number of--the way they describe  
20          it, they use the term "colors."  Colors is a term of art  
21          for them that encompasses both color and design.  So  
22          "colors" is like their product, right?

23          And you look, first, there's no U.S. produced in  
24          B at all.  And in A, there's only a few that are produced in  
25          Adairsville, something that is sort of a legacy that they

1 did when they first started, but there's a whole lot more  
2 imported in JUMBO 1. So you can see just visually here that  
3 they produce a lot more of C and D in the United States than  
4 they do in A and B.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. PORTER: So you can just look at that  
7 visually, just by looking at the colors.

8 COMMISSIONER WILLIAMSON: Okay. Fair enough.  
9 Any knowledge about Caesarstone? Of course they've also  
10 talked that they wanted to be a high-end producer, too, I  
11 guess. What about the new companies that are coming into  
12 the U.S. market?

13 If you don't know, that's okay, but I just--

14 MR. MORICI: I'm sorry, this is Mike Morici, I  
15 don't want to speculate, and I really don't know how to  
16 answer that.

17 COMMISSIONER WILLIAMSON: Okay, fine.

18 MR. WESSEL: Jared Wessel. I'll just offer a  
19 comment. They are a Breton producer, so they are capable of  
20 producing that higher gloss look that's characteristic of  
21 the Breton system.

22 COMMISSIONER WILLIAMSON: Is the non- product  
23 that's made with the non-Breton method, is that always--is  
24 that a lower cost product because it costs less to produce,  
25 or not? Or is, does that production, when they use that

1 patented technology, does that make a big different to the  
2 cost of production?

3 MR. STOEL: Commissioner Williamson, I think the  
4 exact answer is proprietary, but clearly the U.S. industry  
5 believes that it makes a difference. They're investing a  
6 lot of money in the technology, and in also the IP that's  
7 related to that. And so they believe it makes a difference.  
8 It's a differentiating factor between what's going on in the  
9 U.S. produced products and what's going on with China, as I  
10 was discussing with Commissioner Kearns.

11 In terms of DalTile, I think the important thing  
12 to note here is they decided to proceed with the opening of  
13 their plant. They invested a lot of money in Tennessee, and  
14 they started operation. And this, you know, change in  
15 having Chinese imports going into the mass market, that  
16 hasn't impacted them. They believe this is successful.  
17 LG, as they testified, has expanded their operations. They  
18 believe they're successful. LG has expanded its operations.  
19 They're doing well.

20 And I heard a lot this morning, you know, from  
21 some of the Petitioners' lawyers about, you know, how badly  
22 Caesarstone is doing. Well I would encourage you to look at  
23 their confidential questionnaire. I think it tells you a  
24 lot, particularly about 2018.

25 And I think, again, if you look at Caesarstone,

1       they are another example of this, to use Mr. Davis's words,  
2       selective; to use Mr. Marchese's word, exclusivity, they say  
3       they're positioning themselves in the medium and the high  
4       end market. And they explicitly say that that's not where  
5       the Chinese product is. They explicitly say the Chinese  
6       product is in the low end. So they also believe that the  
7       market is segmented, and they've been doing increasingly  
8       well over the period by capturing that high end of the  
9       market.

10               MR. PORTER: I'm sorry, Commissioner, about  
11       your--sorry, Dan Porter--

12               COMMISSIONER WILLIAMSON: Let me ask a question.  
13       Who was the company that you mentioned in your last two  
14       sentences?

15               MR. STOEL: That was Caesarstone. Their CEO is  
16       the one who said that they're in the medium and high end,  
17       Commissioner.

18               COMMISSIONER WILLIAMSON: Okay, thank you.

19               MR. PORTER: Dan Porter, Commissioner  
20       Williamson, just to answer your specific question. All of  
21       LG's production lines, their first, their second, and their  
22       third, all use extensive Breton technology. They chose to  
23       do that when they expanded from the first to the second, and  
24       their second to the third, for a reason, because they  
25       believed that the technology offers the product at the

1 price point that they think they can make the most money.

2 If in fact they could make the same money with  
3 much less technology, they wouldn't have done it. They  
4 chose to install very expensive Breton technology for a  
5 reason, because they felt they could make the product that  
6 got them the best return.

7 COMMISSIONER WILLIAMSON: Okay. My  
8 understanding was that the reason--the guy who invented the  
9 Breton technology was to get around the problems with  
10 granite. And I guess the question is, apparently there's  
11 other technology out there that also gets around the  
12 problems of granite. Is that correct?

13 And is that technology a whole lot less expensive  
14 than the--

15 MR. SHAH: This is Rupe from MS International.  
16 I can't speak to the technology, but I'll speak to the first  
17 part to get around the problems of granite. That's  
18 actually, I think most of the people in this room who were  
19 former distributors or are current distributors of granite  
20 but have seen this big shift in the market, that's not a  
21 true statement. That's a statement that's really been  
22 concocted by marketing from the quartz industry, which many  
23 of us are also a part of.

24 When you look at granite, it's a very strong  
25 performing material. Fifty percent of granites you don't



1 even need to seal, and they can't stain. The ones that can,  
2 a simple sealer that takes less than five minutes to apply  
3 and costs less than maybe \$10 will prevent it from sealing.  
4 It actually structurally doesn't have some heat issues that  
5 quartz has.

6 Now the shift to marble is a very different  
7 story. Marble is an inferior material performance-wise. So  
8 as the design trend goes to marble, this performance  
9 difference of quartz starts to make a big impact on the  
10 market driven by the change in trend to marble. Marble will  
11 etch. It will stain, and it is very weak.

12 Okay, the inventors of Breton, who invented the  
13 machinery, I don't know, 20, 30 years ago, it had nothing,  
14 in my opinion, just looking at it, I don't know this  
15 first-hand, had nothing to do with trying to deal with the  
16 negative performance attributes of granite.

17 COMMISSIONER WILLIAMSON: Okay. Well thank you.  
18 My time has way expired. Thank you for those answers.

19 CHAIRMAN JOHANSON: Commissioner Broadbent?

20 COMMISSIONER BROADBENT: Thank you. I want to  
21 welcome the witnesses. I appreciate you being here today.

22 For Mr. Stoel and Mr. Dougan, the domestic  
23 industry's shipments increased in each year of the Period of  
24 Investigation, but the rate of growth slowed down even as  
25 apparent U.S. consumption continued to grow at around the

1 same pace every year. Meanwhile, subject import growth  
2 outpaced apparent U.S. consumption growth in each year.

3 Can you address this trend, both in the context  
4 of material injury and also in the context of a threat  
5 analysis?

6 MR. DOUGAN: Commissioner, Jim Dougan. I can  
7 speak to a little bit of that. Part of the reason that the  
8 growth rate slowed is because you'd have a higher growth  
9 rate over earlier parts of the POI because some of the  
10 domestic operations were ramping up. They were startup  
11 operations. So they were starting from a much lower base.

12 And as they cumulatively produced more, their  
13 growth rate would reduce. I think that's the first answer  
14 to that.

15 Part of it also is, you know, given the capacity  
16 that they had and the structural deficit in the market, if  
17 the demand, the sort of pie was growing beyond their ability  
18 to supply it, so it wouldn't have been reasonable to expect,  
19 even with the capacity additions that they've made, that  
20 they would have grown at the same rate.

21 But the growth rate over the POI is very  
22 substantial for the domestic industry. It is less than the  
23 market as a whole, but that's because the market as a whole,  
24 much of the growth is in segments of the market that they  
25 either address less or hardly at all. And some of it is due

1 to capacity constraints.

2 And you have evidence in your Staff Report from  
3 purchasers and others who have expressed difficulty and  
4 supply constraints from domestic producers. So, you know,  
5 it's reasonable to understand why they might not have been  
6 growing as fast as demand overall.

7 COMMISSIONER BROADBENT: But capacity  
8 utilization declined, right?

9 MR. DOUGAN: Well, we addressed that  
10 specifically in our Economic Appendix, and I don't want to  
11 get too much into proprietary information, but that is  
12 driven. It's not true for all producers. And one thing  
13 that I wanted to get into--Suzanne, if you could put up that  
14 one slide--one thing to think about in terms of through-put,  
15 and I think this was hinted at a bit by the LG witnesses, is  
16 as you expand your product offerings, the efficiency and the  
17 through-put that you can manage in those operations is  
18 reduced because you have changeover time.

19 So the LG witnesses said it could take up to 12  
20 hours to change over from one color to another. That is  
21 longer than some of the information we've got from other  
22 producers. We know that the Chinese producers have said  
23 that it ranges from 1 to 4 hours to change between colors.  
24 Let's take a mid-point of that. Let's say that's 2 hours.

25 If you run your whole shift making one color, you

1 get to produce for 8 hours. If you change it once, you lose  
2 that 2 hours and you're only producing for 6. If you change  
3 it twice, you only are actually up for 4 hours, so half the  
4 time. And if you change your colors 3 times in the course  
5 of a shift, which is probably not optimal, right, for  
6 capacity utilization, but you're now running only 2 hours  
7 out of that shift.

8 And I think what's important to keep in mind is,  
9 and what's public, is that there are U.S. slab producers and  
10 Chinese slab producers who offer much, much more limited  
11 product offerings than Cambria. They offer let's say  
12 somewhere in the neighborhood of 50 different colors and  
13 does not--Cambria I think offers, I think it's over 150, 166  
14 I think according to their website.

15 They started the POI at 125. So they increased  
16 their product offerings by a third over the POI. And in  
17 this article at Exhibit 1 to Chinese producers' brief that I  
18 quoted, they also said we don't retire any designs. We just  
19 add. Because as long as someone makes it--excuse me, as  
20 long as someone demands it, we're going to make it.

21 So you have to figure, if you're--if you're  
22 spreading your production time over 150, 160 different  
23 products as opposed to 50, your through-put is going to be  
24 affected by that. And even if you accept the fact that  
25 there's an 80/20 rule where 20 percent of your SKUs cover 80

1     percent of your demand, that's--for someone who makes 50  
2     varieties, that's 10 products. For someone who makes 150,  
3     that's 30 products.

4             So again, that diversification can lead to a  
5     difference in through-put and utilization. And if you're  
6     measuring against a nameplate number as opposed to an actual  
7     practical number, you're going to see utilization decline as  
8     your product mix increases.

9             MR. PORTER: Commissioner Broadbent, I'd like to--  
10    --this is Dan Porter--I'd like to marry the explanation to  
11    the data. If you could look at page 3-11 of the  
12    Confidential Staff Report, and you see the capacity  
13    utilization numbers at the bottom, you will see three  
14    producers. Two have very similar capacity utilization  
15    rates, and a third doesn't.

16            And what Mr. Dougan just described is the reason  
17    for that. Okay? I think they said, what did Cambria offer,  
18    120?

19            MR. DOUGAN: In 2015, their website said they  
20    offered 125, 126 designs.

21            MR. PORTER: LG Hausys America in 2018 offered  
22    about 30. So a significant difference in the things. And  
23    therefore while LG Hausys America strives really hard to  
24    deal with down time, their problem is much less than  
25    Cambria's. And I think the chart here on 3-11 really gets

1 at that at issue. And Mr. Dougan's explanation explains why  
2 you're seeing the different numbers.

3 MR. PLANERT: Commissioner, Will Planert from  
4 Morris, Manning. I think that this morning Mr. Ward of  
5 Cambria actually testified about that; about how when they  
6 added new offerings, that that affected their utilization.  
7 So I don't think this is just an explanation that we've  
8 concocted.

9 MR. STOEL: Commissioner Broadbent, Jonathan  
10 Stoel for the record. You've heard my colleagues talk about  
11 some of the other producers. I would also point you to  
12 pages 70 through around 77 of our brief where we talk about  
13 Caesarstone. And obviously it's important to note that,  
14 notwithstanding some of the discussion this morning, they're  
15 not a petitioner. They're not here before you urging you to  
16 do anything, and that's very important. They haven't  
17 decided to participate.

18 But I would commend you to the statements from  
19 their various financial reporting. For example: We have  
20 experienced certain inefficiencies due to challenges related  
21 to the ramp-up of our plant.

22 Well, that would explain why capacity utilization  
23 might be a problem. They also say, later on in the Period  
24 of Investigation: The margin decrease was driven primarily  
25 by, quote, "inefficiencies related to our production in our

1 Richmond Hill plant." And it goes on.

2 I mean, there are many more statements. Again, a  
3 higher proportion of total production from Richmond Hill.  
4 So the point is primarily related to manufacturing  
5 challenges. All these things affect capacity utilization,  
6 and of course they have nothing to do with subject imports.

7 And again, I just want to point out, we're glad  
8 for this. We want the U.S. industry. We believe  
9 fabricators are part of the U.S. industry. Of course LG  
10 Hausys is a part of the U.S. industry. We want the U.S.  
11 industry to do very well. We want these problems to be  
12 resolved and for Caesarstone to do well. But this has  
13 nothing to do with subject imports.

14 And as they expanded, as their capacity grew, if  
15 they were having problems with their capacity--with their  
16 production that has nothing to do with subject imports, of  
17 course that brought down their capacity utilization. But  
18 that's not material injury due to subject imports.

19 MR. JORGENSEN: Commissioner, Alan with Bedrock  
20 Quartz. I'd just like to comment on that. In my local  
21 market--so I'm in Utah--there's a significant amount of  
22 churn as Cambria has adjusted their strategy over the last  
23 several years over the Period of Investigation. In Utah  
24 there had been a distributor in place since 2008, and that  
25 Cambria terminated their relationship with them in 2016, and

1       then added a distributor in Colorado that this distributor  
2       had been serving, and then added the Lexus dealer in Utah.  
3       And in my market, Cambria had been doing quite well from '08  
4       to '16, but then with this transition it significantly  
5       dropped down the sales of Cambria in our market as things--  
6       the relationships changed dramatically. The people, the  
7       fabricators in my market loved the distributor, and it  
8       caused a lot of turmoil as this new Lexus distributor came  
9       in and started servicing the Cosco market.

10               And then as Cambria then had their distribution  
11       operations set up in Denver, it took some time for them to  
12       go about. And in addition to the different relationships  
13       that they have severed with Lexus fabricators, there's just  
14       a fair bit of churn that I think also adds into the  
15       information that you've heard. Thank you.

16               MR. WESSEL: Commissioner, Jerry Wessel. Just  
17       one point. And we put this on the record in our brief. In  
18       late 2016, Mr. Davis gave an interview where he basically  
19       said the inability to hire staff was costing the company  
20       \$3.8 million a year.

21               So it's hard to reconcile that statement with any  
22       kind of argument that you're not using your capacity.

23               COMMISSIONER BROADBENT: Okay. Mr. Dougan, the  
24       domestic industry lost a slight amount of market share over  
25       the Period of Investigation within the context of this



1 rapidly increasing demand. Is it reasonable that the  
2 domestic industry, or any supplier, should have expected to  
3 increase its sales at the same pace as apparent consumption  
4 given the growth in this market?

5 MR. DOUGAN: Commissioner Broadbent, I would say  
6 no. Given--I mean, their growth rate was still very  
7 substantial. It's a lot bigger than you usually see in  
8 these cases. I mean, I can't say the number, but it's a  
9 very big number.

10 The market grew by more. The mass market where  
11 domestic producers play, grew by more. But the domestic  
12 producers grew by a very substantial amount. They added  
13 significant capacity. They increased their production. And  
14 as a consequence of some of this additional capacity and the  
15 ramp-up associated with that, they did experience some  
16 supply constraints. And you see that in your Staff Report.  
17 You see that on the record.

18 So the idea that they would have been able to  
19 grow at the same rate as the market, given the constraints  
20 that they had, and given how the pie as a whole was growing  
21 so substantially, I don't think it's a reasonable  
22 expectation and does not constitute material injury.

23 COMMISSIONER BROADBENT: Okay, thank you. My  
24 time has expired.

25 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

1                   COMMISSIONER SCHMIDTLEIN: Okay, thank you. I  
2 just had one question, going back to a topic Chairman  
3 Johanson raised, which was this argument with regard to  
4 coaching the fabricators on their questionnaire responses.  
5 And I think Mr. Perry--where is Mr. Perry?

6                   MR. PERRY: This is Mr. Perry, yes.

7                   COMMISSIONER SCHMIDTLEIN: Oh, there you are.  
8 Okay. Sorry. There's so many people, it's hard to find  
9 you.

10                  So there's a document on the Quartz Coalition  
11 website that is public, right? And I think we checked. It  
12 was still up there. Did you draft this document?

13                  MR. MALIK: I can speak to that. I'm Vineet  
14 Malik from Stone Showcase. No, Mr. Perry did not draft that  
15 document. We had done that.

16                  COMMISSIONER SCHMIDTLEIN: You drafted the  
17 document? You didn't have any help from your counsel?

18                  MR. MALIK: No.

19                  COMMISSIONER SCHMIDTLEIN: So you were able to--  
20 because the document is quite detailed that takes you  
21 through every single page of the questionnaire with  
22 snapshots of that. And then it includes answers that you  
23 encourage the fabricators to provide.

24                  MR. MALIK: Again, I mean--

25                  COMMISSIONER SCHMIDTLEIN: And so I guess, now

1       hearing that you drafted this document, you were able to go  
2       through that questionnaire and break it down page by page?  
3       And even in the boxes? So, for instance, here's a couple  
4       snapshots of the different pages of the questionnaire, that  
5       you've actually filled in the boxes with suggested answers?  
6       And then you say to fabricators, well, we want it all to be  
7       unique, so don't, you know, don't just copy and paste that.  
8       But here's--in fact, here's an answer, and we encourage you  
9       to put--to check rating five. You did all that yourself?

10               MR. MALIK: Correct.

11               COMMISSIONER SCHMIDTLEIN: But none of the other--  
12       --all these other fabricators that were asked to fill out  
13       questionnaires couldn't--couldn't even bring themselves to--  
14       I heard testimony earlier in the presentation that these  
15       questionnaires were so difficult to understand, that, not  
16       withstanding the fact that the argument's been made that  
17       this is a complicated, sophisticated operation that  
18       fabricators run, they couldn't understand how to read the  
19       document and fill it out, even though they were furious and  
20       their livelihoods were at stake. They couldn't take time,  
21       and they didn't understand it, but you've gone through the  
22       document and come up with suggested answers and put together  
23       snapshots? Doesn't that seem a bit inconsistent? Or are  
24       you just--

25               MR. PERRY: Can I respond? William Perry,

1 Harris, Bricken. Vineet is a importer. Alan did fill out  
2 the questionnaire. So, and he did--

3 COMMISSIONER SCHMIDTLEIN: So the importers know  
4 how to fill out the questionnaires but the fabricators  
5 don't?

6 MR. PERRY: Well, except when you're talking  
7 about data. That's when it gets very complicated. Go  
8 ahead.

9 MR. JORGENSEN: Alan, Bedrock Quartz. So from  
10 sitting as a fabricator, you know, I saw the Coalition  
11 website and saw the data and saw the emails that went  
12 through. And any, if you could call it coaching, or any  
13 effort to try to demystify it a little bit, was only with  
14 respect to like 2 percent of what's really going on.  
15 Because you cannot coach through the data. It's simply  
16 impossible. And there was no effort in that website or in  
17 the emails to coach through the data. You know, I think the  
18 extent of the coaching there was to say, if that's what it's  
19 called, is to like, hey, we believe that fabrication is a  
20 complex activity.

21 So, but--

22 COMMISSIONER SCHMIDTLEIN: Therefore we encourage  
23 you to respond with a rating of 5, and acknowledge that  
24 rating as a reflection of the knowledge and training  
25 necessary. I mean don't you think they would know that on

1       their own? Why did they need to--why would you need to  
2       suggest that to all these fabricators? Don't they  
3       understand the business they're in?

4               MR. JORGENSEN: Yes, ma'am, they do understand  
5       the business that they're in.

6               COMMISSIONER SCHMIDTLEIN: So I mean you don't  
7       call that coaching? I'll tell you what, we've never seen  
8       anything like this.

9               MR. JORGENSEN: Yeah. This was, again, an effort  
10      to, as we're trying to understand how important the  
11      questionnaire responses were, all of our Coalition group was  
12      sending so many emails, phone calls, trying to get data on  
13      the record. And you can see, sadly, we were so discouraged  
14      at how few people responded, because even with--I just--  
15      there's no value of anything if this is coaching, and that  
16      is so difficult for it to do.

17              COMMISSIONER SCHMIDTLEIN: I mean on page 8-10, 8  
18      of 10, it says your answers to questions 2-21 are going to  
19      determine if you should be considered a part of the domestic  
20      market. It is important that you therefore answer yes to  
21      question 21AI and that you answer no--I mean, you're telling  
22      them what to answer.

23              MR. MALIK: Again, these were just--we had told  
24      everyone, and even on the website it is mentioned, that you  
25      should answer in your own unique words and what you feel is

1 correct.

2 COMMISSIONER SCHMIDTLEIN: Okay. I'm just--

3 MR. PERRY: Let me just add one thing--

4 COMMISSIONER SCHMIDTLEIN: --I'm amazed that no  
5 attorney has helped you complete--no attorney helped you put  
6 this document together, or review it.

7 MR. PERRY: I did not help--

8 COMMISSIONER SCHMIDTLEIN: Any other attorney?  
9 Anybody?

10 MR. PERRY: No, that I know of. I was the only  
11 one. And I refuse to do anything like that. And the other  
12 side of this is to keep in mind that it certainly didn't  
13 work. You got 15 responses, less than 1 percent of the  
14 fabricators responded.

15 COMMISSIONER SCHMIDTLEIN: Yeah, but 25 percent  
16 of the 60 that we asked.

17 MR. PERRY: What?

18 COMMISSIONER SCHMIDTLEIN: 25 percent of the 60  
19 that were asked, right? 15 out of 60? There were 60--

20 MR. PERRY: I don't know how many of them of the  
21 60 were there, but I know that only 15 responded. And when  
22 you look at the many--we were trying to get--Larry Jones had  
23 said he would take any fabricator response he could get. So  
24 we--and he told that to many of us.

25 So we were trying as desperately as possible to

1 get as many fabricators as possible. They were trying to  
2 get as many fabricators as possible to respond to the  
3 questionnaire.

4 COMMISSIONER SCHMIDTLEIN: Yes. Well, as you can  
5 tell, I mean we are very concerned about the potential for  
6 coaching in the--

7 MR. PERRY: That is why--I understand that.  
8 That's why I am so careful. I do not even look at  
9 questionnaires before they're filed at the ITC, as I said  
10 before. I always tell, whenever there's a question, to call  
11 Larry Jones up and talk to the ITC. I refuse to look at  
12 one, because I'm worried about that allegation.

13 COMMISSIONER SCHMIDTLEIN: Okay. Alright.  
14 Alright, so I did have a few more questions on some of the  
15 arguments in the case, because I'm still not quite clear on  
16 a couple of things, just based on some of the answers that  
17 we've heard since the questioning began,

18 I want to understand exactly how you all are  
19 defining these segments. And so the reason I keep coming  
20 back to this is that during the testimony I've heard, and I  
21 believe just a few minutes ago, the witness from Indiana  
22 said something about, you know, the median price of homes in  
23 Indiana is \$120,000 per home. And that at that price point  
24 they can't afford a Cambria countertop, and then referred to  
25 that as "in that mass market."

1                   So that's obviously a single-family home. So  
2                   again, I'd like to get a sense of where the Respondents  
3                   stand. If you all agree, how are these segments defined?  
4                   Is it by price point? Is it by type of user? Is it by  
5                   design? You know, the all white and marble are in the mass  
6                   market? Can somebody sort of give a clear--

7                   MR. JORGENSEN: Alan with Bedrock Quartz. Alan  
8                   Jorgensen with Bedrock Quartz. I'll speak to that in my  
9                   market. And one of the things that I talked about a lot in  
10                  my statement that I put in is how localized these things  
11                  are.

12                 So in other words, the situation in Indiana and  
13                 Utah are quite diverse. And so it depends a lot on what the  
14                 price level of the home is, for instance. It depends on  
15                 whether you're talking about a builder is your customer, or  
16                 whether the end user is your customer.

17                 If a builder is your customer, over the last 10  
18                 years in my market granite has primarily been the choice  
19                 because the builder's bottom-line concern is I need the  
20                 lowest possible budget price, what I'm going to have into my  
21                 home-building budget. And so they would have that entry  
22                 level price. Most builders would go there.

23                 The individual homeowner who's building like a  
24                 second or third home, they're looking for a very broad  
25                 spectrum of products. They might--you know, they're now



1 less concerned about any price differentiation, and they're  
2 looking for what's the aesthetic.

3 The builder, though, is primarily looking for  
4 something that's fairly consistent and stable and is going  
5 to meet their budget. And then they'll have a couple of  
6 different categories of upgrading. And it depends on  
7 whether they're building in the lower end, like a starter  
8 home, or whether they're building like high-end custom home.

9 COMMISSIONER SCHMIDTLEIN: Right. So I mean it  
10 sounds to me like it's really defined by price point, right?

11 You have builders who are building, as you just said, high  
12 end homes versus lower priced homes. There are builders  
13 building apartment buildings or condo buildings where the  
14 condos--I mean here in Washington, you know, down in  
15 Georgetown, the condominium buildings down there are, those  
16 condos go for over a million dollars.

17 MR. JORGENSEN: That is one of the factors--

18 COMMISSIONER SCHMIDTLEIN: Right. So--

19 MR. JORGENSEN: Aesthetics are a big part of it.  
20 For some projects, brands are a part of their concerns. For  
21 some, they're concerned about brands, and some are not  
22 concerned about brands. Some of the projects are concerned  
23 about an architectural spec, some are not.

24 Again, this is a localized thing. There is not a  
25 tight buttoned-up answer for this because it varies so much

1 by region.

2 COMMISSIONER SCHMIDTLEIN: So, is that, I mean,  
3 Mr. Porter, Mr. Perry, Mr. Stoel --

4 MR. PORTER: Commissioner Schmidtlein, this is  
5 Dan Porter. I think you were out of the room. We had  
6 somewhat of a discussion with Commissioner Kearns. I'd like  
7 you to turn to Mr. Dougan's chart -- If you could turn to  
8 Confidential Page 7 of Mr. Dougan's chart.

9 COMMISSIONER SCHMIDTLEIN: Yeah.

10 MR. PORTER: We are -- I think you were out of  
11 the room -- we've had this discussion before. Segmentation  
12 is the explanation for why you're seeing the hard data. You  
13 have the hard data here. You actually brought this up  
14 yourself in questioning this morning. Okay. If Cambria's  
15 theory of the case were correct, why do you see increases in  
16 Cambria pricing? Segmentation is the answer to that  
17 question.

18 COMMISSIONER SCHMIDTLEIN: So, I guess, so you're  
19 representing LG. What's your definition of the segments?

20 MR. PORTER: Okay, sure.

21 COMMISSIONER SCHMIDTLEIN: Is it by end user, is  
22 it by price point? In other words, there can be low-price,  
23 single-family homes that are considered to be mass market.  
24 There could be high-price, multi-family condominium,  
25 apartment buildings that can be --

1 MR. PORTER: Right.

2 COMMISSIONER SCHMIDTLEIN: -- high-end, you know,  
3 like, what's the --

4 MR. PORTER: Thanks again. Dan Porter. So there  
5 are two different things going on. One is just sort of the  
6 market segmentation. And LG Hausys America has provided  
7 what, you know, what they think the segmentation in the  
8 market is. They have sort of broad categories, residential,  
9 commercial, builder. They've actually given you what they  
10 perceive to the relative quantities of each. And they've  
11 given you the growth rates of each.

12 And then each of those is further, sort of, you  
13 know, in their mind, segmented some more. So they have  
14 actually given you what their view is of the segmentation of  
15 the market. But that's sort of the segmentation of the  
16 market. A very different question is, how they price their  
17 products for the market.

18 And in what we've shown you is, with the price  
19 list here, they price their products broadly with respect to  
20 how sophisticated the design is and therefore how expensive  
21 it is to make. Because they are focused on U.S. production.  
22 And so the more sophisticated design and that's gone into  
23 detail -- I just wanted to make before I forget, the  
24 statements today are just a summary of the very detailed,  
25 sworn declarations that what was given as part of the LG

1       Hausys American brief. So when you get a chance, if you  
2       could do that.

3               But it gets to, you have Groups A and B with less  
4       sophisticated design, and so they're for lower price, and  
5       Groups C and D with more sophisticated design and higher  
6       price.

7               COMMISSIONER SCHMIDTLEIN: So would you, for LG  
8       then, would you say within each of those, roughly, builder,  
9       residential, what did you call it, commercial?

10              MR. PORTER: If you look here -- I mean I was  
11      talking -- I anticipated this very question. If you look  
12      here, this kitchen, retail and bath. And ask Mike Morici to  
13      explain it --

14              COMMISSIONER SCHMIDTLEIN: I know I'm beyond my  
15      time, by the way.

16              MR. PORTER: Yeah, but this is the very highest  
17      end. Okay.

18              COMMISSIONER SCHMIDTLEIN: So there's no low-end  
19      kitchen retail and bath?

20              MR. PORTER: Go ahead.

21              COMMISSIONER SCHMIDTLEIN: So that was gonna be  
22      my question. Within each of those, right, for residential,  
23      like, is there a high-end and a low-end? For builders --

24              MR. MORICI: Right.

25              COMMISSIONER SCHMIDTLEIN: -- there's a high-end

1 and a low-end --

2 MR. MORICI: I'm sorry, this is -- sorry for  
3 cutting you off. This is Mike Morici -- we see the market,  
4 the residential market that the majority of the residential  
5 kitchen and bath market is high-end. That's the way that we  
6 view it and that's the way that we develop our products to  
7 target that high-end market.

8 COMMISSIONER SCHMIDTLEIN: But what about these  
9 homes in Indiana that are \$120,000? Or, you know, I'm sure  
10 there's lots of communities across the country that are the  
11 median home price is around that.

12 MR. MORICI: Right. But the builders there do  
13 not go through kitchen and bath. Those are separate from  
14 what they're discussing. Those are homebuilders that are  
15 not going through the residential kitchen and bath market.

16 COMMISSIONER SCHMIDTLEIN: I see. And where do  
17 they buy, usually?

18 MR. MORICI: The homebuilders?

19 COMMISSIONER SCHMIDTLEIN: For a home at that  
20 price point?

21 MR. MORICI: Right. That would go through the  
22 fabricator.

23 COMMISSIONER SCHMIDTLEIN: Okay. Okay, my time  
24 is so --

25 MR. STOEL: Jonathan Stoel for the record. I know

1       you're over time. Clearly, we need to work on this and we  
2       will provide all the Commissioners with a better explanation  
3       post-hearing. I do wanna go back to -- you have the luxury  
4       segment and I go back to the hotel example, which  
5       Commissioner Kearns picked up on. In the lobby, you have a  
6       very expensive, beautiful countertop. And hopefully it  
7       might be a Cambria. And then upstairs, in the rooms, you  
8       have something different. And that's what we call the mass  
9       market.

10               And then similarly when you talk about the  
11       multi-family apartments, which have been exploding over the  
12       POI, I think you've heard from all the witnesses,  
13       particularly from the folks in the builders segment, you're  
14       not gonna find Cambria there. And why is that? Not only  
15       because of the pricing and everything else, but because  
16       Cambria itself doesn't wanna be there. They wanna be  
17       exclusive. They wanna be selective. So they themselves are  
18       staying in that luxury end of the market. But again, we'll  
19       give you more on this post-hearing.

20               COMMISSIONER SCHMIDTLEIN: Okay, thanks. My  
21       apologies.

22               MR. BUTLER: If I could -- this is Tim Butler  
23       again -- I have a very narrow focus. We're single-family  
24       new home builders in Texas. We operate design centers for  
25       those builders. So the builder sends his home buyer to our

1 facilities to pick all of the products for their houses.  
2 There're even products we don't supply, lighting, brick,  
3 paint, everything.

4 No matter what we think, we're in a fashion  
5 business. Fashion drives what consumers want. And most  
6 people have a budget. They have to live within their means.  
7 So they're building a new house, they come in with a certain  
8 amount of money to spend on the upgrades for their homes.  
9 They want the most fashion-conscious decision that they can  
10 afford.

11 And, look, we're in -- I'm in the major Texas  
12 markets, there's an end of that single-family home that we  
13 don't do that business. It's first-time homebuyer, it's  
14 that \$120,000 house. They're not putting in granite,  
15 they're putting in Formica. There's an upper end of that  
16 market, custom home builders that quite frankly -- we do a  
17 lot of volume, and quite frankly, that's not our customer  
18 either. More of those customers probably buy Cambria.

19 But in our experience and in our design centers,  
20 day in, day out, when you move up the price volume curve, by  
21 the time you get to the price that Cambria has offered, most  
22 people choose natural stone. A high-end natural stone. So  
23 it's not, I don't think it's as simple as just price. I  
24 think it's price and style and how much style you can buy at  
25 the price. And so that's, when we talked about retail

1       kitchens, I agree with the gentleman, that's more high-end.  
2       But builders are not retail. Builders, builder business, if  
3       that offers any clarification.

4               COMMISSIONER SCHMIDTLEIN: Okay, yeah, thank you.

5               CHAIRMAN JOHANSON: Commissioner Kearns.

6               COMMISSIONER KEARNS: Yes, thank you. Mr.  
7       Dougan, a minute ago Mr. Porter reminded us of a discussion  
8       we had this morning about pricing. And Commissioner  
9       Schmidtlein's questions about why you would see price  
10      increases on, if I remember right, it was Products 3 and 4,  
11      and if I heard the answer correctly, Ms. Drake and Mr. Davis  
12      gave three reasons.

13              One is, you know, the price is increased because  
14      demand was increasing, raw material costs were increasing,  
15      and there were increasing costs associated with the  
16      development of distribution centers for Cambria and kind of  
17      the levels of trade differences that you would then see and  
18      pricing there. How would you respond to those arguments?

19              MR. DOUGAN: I would respond--Jim Dougan, ECS,  
20      Commissioner--I would respond to those arguments as, and I  
21      believe after that response, Commissioner Schmidtlein said  
22      something like, "Yeah, but wouldn't you see pressure? Like,  
23      regardless, isn't that why you'd see a squeeze?"

24              And we understand that you'd perhaps be better,  
25      more able to raise prices in a time of increasing demand.



1 And we understand that raw material costs can go up, and we  
2 understand that maybe your, the cost of getting to market  
3 would go up.

4 But, you know, in cases that the Commission often  
5 sees are the ones that we're sort of trying to defend as  
6 respondents, you're not seeing the trends that you have  
7 here. You're not seeing them increasing their prices as  
8 much, even in these situations with increasing demand. And  
9 particularly in cases with increasing raw material costs,  
10 the industry is having a really difficult time passing on  
11 these increased costs.

12 But that's not what you're seeing here. And one  
13 thing that I would--and we do spend some time on this in the  
14 economic appendix--because I think you're saying, well,  
15 yeah, but we see a little bit of a cost squeeze here.  
16 Because if I look at the COGS-to-sales ratios, they're going  
17 the wrong way, right?

18 One part of that to keep in mind is, that  
19 there--and this is where it would benefit the Commission  
20 from looking at each of the slab producers individually.  
21 And we understand you take the industry as a whole, but to  
22 understand, is that a trend or is that just a consequence of  
23 arithmetic due to the differing weights of each producer  
24 over time?

25 And as you have producers who increased their

1 production and sales relative to the others, their margins,  
2 their results will have a great impact on the weighted  
3 average of the industry, even if their trend is going  
4 completely the opposite direction from what your weighted  
5 average gets you. And I really wanna be very careful about  
6 saying more than --

7 COMMISSIONER KEARNS: But your shortest answer  
8 is, look at the individual -- not that it was being long,  
9 but -- but no, that your main thing is you're asking us,  
10 just look at the individual producers and see what's going  
11 on with pricing and seeing what's going on with each  
12 individual and that will help clarify things.

13 MR. DOUGAN: I think it will help clarify, and if  
14 you look at, you know, the Slide 7, which is the example  
15 that I used. And then if you look at the suppression data  
16 for the producer that those data relate to, you're not  
17 seeing a squeeze. You're not seeing the price suppression  
18 in the statistic that the Commission usually uses for that  
19 determination.

20 COMMISSIONER KEARNS: Okay, now, but I think  
21 you've been focusing on--maybe not--but on raw material  
22 costs or costs of goods sold, not necessarily addressing  
23 issues of the level of trade that we heard Mr. Davis talk  
24 about this morning.

25 MR. DOUGAN: Sure. And that's, again, I have to

1 be really careful, because he can talk about it as much as  
2 he wants. It's his business. And so we have to be very  
3 careful about what we say here.

4 COMMISSIONER KEARNS: Yeah. Post-hearing is  
5 fine.

6 MR. DOUGAN: We do discuss it, we can get into it  
7 more. I think, you know -- I gotta leave it there, sorry.  
8 I gotta be real careful.

9 COMMISSIONER KEARNS: Okay.

10 MR. DOUGAN: Sorry about that.

11 COMMISSIONER KEARNS: No worries. I'm probably  
12 gonna come back to price, but let me first go to a related  
13 party's question, pretty similar to what I had asked the  
14 petitioner this morning. Assuming I find that fabricators  
15 conduct sufficient production-related activities to be part  
16 of the domestic industry, how should I assess whether to  
17 exclude fabricators that are related parties because they  
18 import semi-finished subject imports? On the one hand, it  
19 would seem to have an interest in domestic production, but  
20 how should the balance tip if they are heavily reliant on  
21 upstream subject imports?

22 Another issue is, if a fabricator is performing  
23 better than the rest of the industry, but it's because of  
24 low-priced upstream import material, how should that affect  
25 my analysis? Any thought on that would be helpful.

1                   MR. STOEL: Commissioner Kearns, Jonathan Stoel.  
2           I think we discussed this a little bit earlier, but I think  
3           there's some confusion between the related-party issue and,  
4           you know, whether a fabricator should be part of the  
5           domestic industry. Maybe I missed that. I don't think  
6           there's any allegation that fabricators are not U.S.  
7           companies, they're not related to Chinese manufacturers or  
8           Chinese producers.

9                   They obviously get an input that some of which is  
10          from China, but I point out, as you heard from Mr. Yoltay,  
11          as you heard from others, they buy from Cambria, they buy  
12          from Caesarstone, they buy from LG. They also buy from  
13          imports from other countries. So their main interest is to  
14          manufacture in the United States of America. Their workers  
15          are production --

16                  COMMISSIONER KEARNS: Right. But you understand,  
17          like, when we're looking at related parties, we're trying to  
18          figure out whether or not, you know, importation of subject  
19          imports will skew our data in some way. And I think, in a  
20          lot of cases, it seems like the answer is generally, unless  
21          the volumes are sky-high, maybe not so much, especially in  
22          cases where you have, like, parallel things going on.

23                  You've got importation of a final product and  
24          you're producing the final product in the U.S. You know,  
25          the accounting is such that those are separate things. In a

1 situation where we have semi-finished products that you're  
2 importing, your performance might look much better because  
3 you're taking advantage of unfairly traded imports as your  
4 raw material, your semi-finished product. So how do I  
5 analyze those things, especially when, in other words,  
6 there's overlap between these issues, right?

7 MR. DOUGAN: No, I agree, but again, I think your  
8 primary question, right, is where does the domestic  
9 producers' primary interest lie? Right? That's usually how  
10 you more broadly put out the test? I think there's no  
11 question here that U.S. fabricators are focused on their  
12 manufacturing. Yeah, some of them are importers, some of  
13 them buy product that might be imported, but their main  
14 focus is on production. And I actually would invite Mr.  
15 Yoltay to talk a little bit about, you know, how he views  
16 about wanting to fabricate more Cambria if he could.

17 MR. STOEL: Similar to your testimony. -- the  
18 fact that you also fabricate from domestic producers. And  
19 how you feel about, if you could, where you would fabricate  
20 the most from.

21 MR. YOLTAY: Josh Yoltay. The profit margin and  
22 markup on the Cambria, we make the most money. And I would  
23 really prefer, it takes longer time. The waste factor is  
24 higher on the raw material, which is slab from Cambria, but  
25 with their beautiful product, realistically we make the most

1 margin from Cambria. Is it applicable to all markets? No.

2 Like builders, we do not determine what they  
3 want. They tell us. And they want usually steady color.  
4 If you look at these two columns on the both sides of your  
5 desk, you will see a scene, two pieces are getting together  
6 just like that. If you move up, down, left, right, you will  
7 not have any major effect on the look of the end product  
8 because it's very uniform.

9 The challenge with the builder, not for me, for  
10 the builder, they do not want the exotic colors to be  
11 installed in their kitchens because the perfection is very,  
12 very difficult, compared to again, these two columns on your  
13 desk on the left and right. When this is the case, they  
14 have to pay more for the time left over and they also have  
15 to, you know, deal with the customers' concerns. "Why is it  
16 like that?" I was not expecting -- They don't want  
17 headache. They want to give a good, steady, you don't need  
18 to seal, easy maintenance product and move on.

19 COMMISSIONER KEARNS: So in essence what you're  
20 saying is, your customer determines essentially who you  
21 purchase from? You know, it just depends on what kind of  
22 product they want.

23 MR. YOLTAY: You're absolutely right, sir.  
24 Commissioner, they say, "I want quartz." Please go to  
25 Silestone and the other, you know, U.S. manufacturer,

1        whoever they want. I want light colors. We supply, like,  
2        ten, fifteen colors, all of them are steady and they pick  
3        from there. And one of the things they are trying to avoid,  
4        again, the dominant and dramatic look stones not to be in  
5        trouble later on.

6                    And also the price point is important. And from  
7        the beginning we keep saying, "Oh, my God, it tripled, the  
8        quartz sales." I mean, did they start to build more houses  
9        because quartz is cheap now? We invented something? No.  
10       This triple sale we took from granite and we gave it to  
11       quartz. You know who we affected? We affected India with  
12       the granite. We affected Brazil with the granite.

13                   After four years ago, I've been doing it for  
14       twenty-four years, after four years ago or five, there was  
15       no quartz in the market. All I was cutting was granite.  
16       And then meet the affordability and more U.S. manufacturers.  
17       The builders discovered that, hey, I have four groups for  
18       you with a different price with the granite. Now it's  
19       affordable and more supply I can add quartz for my customer  
20       to benefit them because I can afford it.

21                   That is how the switch is coming, the preference  
22       from granite to the quartz. Believe me, if you look at the  
23       data from the construction industry, you will see that it's  
24       not increased three times, the total houses built on the  
25       East Coast. So what is changing? Switching to material to

1 more benefit -- but there's a limit.

2 You can give the consumer the Honda, but you  
3 cannot give the Ferrari because the builder will be out of  
4 business. Rather we use Ferrari like -- that was a great  
5 question. Commercial, and we are confusing ourself and you.  
6 No, in fabricator world, commercial, Commissioner  
7 Schmidtlein, when you exit this building, you will see a  
8 clock across the street. For us, this is commercial  
9 building.

10 COMMISSIONER SCHMIDTLEIN: Mm-hmm.

11 MR. YOLTAY: And the builder is, like, I'm sorry,  
12 I don't know if you can use the name, like K.Hov,  
13 D.R.Horton, these are builder for us. And you, if you walk  
14 into our warehouse, you're residential. This is how is the  
15 classification and this is how we use. And we really like  
16 Cambria. There is no better looking exotic color than  
17 theirs. They're entrepreneur. Awesome. I did the Ritz  
18 Carlton with them. I use it at, I think, Fannie Mae. We do  
19 many, you know, commercial projects just like across the  
20 street. They come number one. The seam, when you do the  
21 seam miter, phenomenal. But is just for showcase, like a  
22 Galleria at the front.

23 COMMISSIONER KEARNS: Okay, thank you. My time  
24 is up.

25 MR. DOUGAN: Commissioner, can I just add one



1       very quick thing. When you are -- the typical situation  
2       where you're excluding, you know, importers or fabricators  
3       who rely on supposedly, you know, unfairly traded imports to  
4       their benefit, you're gonna expect them to be benefiting  
5       from that financially.

6               And as I mentioned in my testimony, and you look  
7       at the financial results of the fabricators, at least the  
8       data you have, they don't appear to be really doing that  
9       well compared to the slab producers. Now, that might be a  
10      consequence of the data set you have, and we might see  
11      different results from Cambria's fabricators when they give  
12      us, if they give us their questionnaires.

13             But what you have in the data in front of you  
14      certainly doesn't suggest that those who rely to at least  
15      some degree on imported slab or benefiting to some  
16      tremendous degree.

17             COMMISSIONER KEARNS: Okay, thank you.

18             CHAIRMAN JOHANSON: Several respondents'  
19      prehearing briefs contend that there is attenuated  
20      competition in the U.S. market. Respondents argue that  
21      domestic quartz surface products had different aesthetics  
22      than imported products. And purchasers ranked availability,  
23      product consistency, colors, design aesthetics, quality and  
24      product ranges as very important purchasing factors, as seen  
25      at Table 2-7 of the Staff Report.

1           Notably, however, purchasers ranked domestic and  
2   imported quartz surface products from China as comparable on  
3   all these factors as seen in Table 2-9. The majority of  
4   purchasers also reported that they never make purchasing  
5   factors based on the manufacturer or the country of origin,  
6   as shown in Table 2-5. Additionally, most purchasers  
7   reported that domestic and Chinese product was always or  
8   frequently interchangeable, as shown in Table 2-10. How do  
9   all these data from purchasers reflect attenuated  
10  competition in the U.S. market?

11           MR. DOUGAN: Mr. Johanson, Jim Dougan. Let me  
12  make sure I just have the tables in front of me.

13           CHAIRMAN JOHANSON: You want me to read those out  
14  again?

15           MR. DOUGAN: No-no, I think I got it.

16           CHAIRMAN JOHANSON: Okay, thank you.

17           MR. DOUGAN: You got Table 2-7 and 2-9, I'm  
18  guessing, right?

19           CHAIRMAN JOHANSON: 2-7, 2-9 and also 2-5 and  
20  2-10.

21           MR. DOUGAN: Hang on one moment.

22           CHAIRMAN JOHANSON: Okay.

23           MR. DOUGAN: I think that some of this has to do  
24  with the purchases within and across segments and so if you  
25  are -- for example, there was one of the witnesses earlier

1       today who said that, you know, when the builder comes to  
2       them and says, "I want you to go quote me prices for quartz  
3       from XY&Z," they're not mentioning Cambria. They're not  
4       even in the hunt for that particular comparison.

5               When you have someone who is in the luxury  
6       segment of the market and they're interested in the brand or  
7       the design or the differentiated products that Cambria has,  
8       you know, you're not going to another source for that. So  
9       the comparisons, if you're a builder and you have an array  
10      of products that you want to be quoted to you, you might be  
11      interested in making price comparisons of things there, but  
12      you're not making price comparisons across segments for  
13      different end uses.

14             So the segmentation of the market is sort of  
15      inherent in the comparisons that are made and the responses  
16      that you get are from the perspective of someone who is  
17      essentially within a segment or market that they're playing.  
18      They're not thinking beyond that.

19             CHAIRMAN JOHANSON: Okay, thank you, Mr. Dougan.  
20      I know that was kind of a long question. Feel free to --

21             MR. PLANERT: Commissioner, Will Planert here.

22             CHAIRMAN JOHANSON: Okay, I'm sorry, I'm looking  
23      at another part of the room.

24             MR. PLANERT: All the way over here. I just  
25      wanted to come back to the point that Dan made earlier,

1       because I think it's an important one. You know, the  
2       evidence in this record for market segmentation is not what  
3       you see in those tables from the questionnaires. The  
4       evidence of the record on market segmentation is what you  
5       see in the pricing data and something has to explain why  
6       imports in these products, you know, particularly 3 and 4,  
7       where there's a lot of sales of both imports and domestic  
8       merchandise, why domestic prices keep going up, even in the  
9       face of this very, very large underselling.

10               And market segmentation is the answer. And it  
11       doesn't necessarily jump out at you from the survey answers,  
12       and I don't know why that is. But we think that the  
13       evidence in this record of market segmentation is in the  
14       pricing and in what's happened with the domestic industry,  
15       even in the face of big increases in import volumes and very  
16       large underselling.

17               CHAIRMAN JOHANSON: Okay, thanks for your  
18       responses. How would you respond to Cambria's argument that  
19       Chinese producers are engaged in aggressive copying of  
20       Cambria's designs and marketing materials as seen -- this is  
21       discussed in the petitioners brief at Page 40 to 41.

22               MR. JORGENSEN: Alan Jorgensen, Bedrock Quartz.  
23       Speaking from my market, the Chinese materials that compete  
24       in my market do not resemble Cambria at all.

25               CHAIRMAN JOHANSON: But if there is indeed

1 aggressive copying of Cambria's designs and marketing  
2 material, so say that's happening, does this copying impact  
3 any brand advantage? Does it also imply head-to-head  
4 competition between the parties based on price?

5 MR. STOEL: Chairman Johanson, this is Jonathan  
6 Stoel for the record. I think we'll address this more  
7 post-hearing. But I guess I would go back to something I  
8 said earlier, which I think it's very important to point  
9 out, and I think Mr. Davis said this this morning as well.  
10 There's a different manufacturing process involved. The  
11 manufacturers here in the U.S. are using technology that is  
12 different. The Chinese product is different.

13 I think the parties have laid out in their briefs  
14 how Chinese manufacturing involves more workers, more  
15 handcrafted materials. Some would argue that it provides a  
16 more artistic look. So it's a very different way of  
17 manufacturing than here in the United States. I guess I'd  
18 also point out that I think everybody in this room is in  
19 favor of strong intellectual property rights. But there are  
20 other places to deal with that. There's the FTC. There's  
21 the ITC's 337 case which Ms. Shult referred to this morning.  
22 There's a lot of places you can deal with that. I think the  
23 application of that trade remedy proceedings is pretty  
24 limited.

25 MS. MENDOZA: Chairman Johanson, this is Julie

1       Mendoza. I just have another comment on that actually,  
2       which is that I think what we're not taking into account  
3       here is, in addition to appearance, right, and the  
4       comparability, is the fact that we're dealing with one  
5       company here who has a very effective marketing strategy for  
6       selling their product.

7               And I think that, as we've heard from everyone  
8       else, there really isn't any of that going on with the  
9       Chinese product itself, so you know, if this copying, as  
10      they say, is so good, right, why is it then that Cambria can  
11      maintain over an extended period of time such a big  
12      distinction in the prices between its products and the  
13      Chinese product? I mean that question just has to be  
14      answered.

15             And I think that the way of understanding and  
16      then explaining it is to say that, sure, everybody comes  
17      into a market and people look at what other people are doing  
18      and what's popular, and they try to develop things that are  
19      gonna be more popular than other people and they've talked  
20      about some of these marble-look type stones.

21             But the reality is, there's something else going  
22      on, which is, and it's true of almost every home product you  
23      can think of in residential consumers, that, you know, some  
24      products just have a certain degree of marketing associated  
25      with them, so people want to pay more for those products

1       because they see value in the product which far exceeds what  
2       one might just look at in appearance. And I think we have  
3       to consider that as well.

4               And I think when some of these people were  
5       responding to these questionnaires and they were being  
6       asked, you know, to compare products of all the domestic  
7       producers and all the Chinese producers, I think you got  
8       some of those kinds of questions. The people that said  
9       specifically -- you know, if the question had been there, do  
10      you specifically believe that the Cambria product has some  
11      independent value in branding that sets it apart? I think  
12      everybody in this room would say yes.

13              MR. HUARTE: Commission Johanson? Matt Huarte,  
14      Arizona Tile. Originally, we were in the stone business.  
15      That's our strength, this natural stone. So when Mr. Davis  
16      started off in quartz, what he was doing was copying what we  
17      did, granite. Most of his original looks were just copies  
18      of natural stone.

19              And then it progressed and, you know, we were  
20      selling lots of Calacattas and Carraras and that's our  
21      specialty. And so he started to copy those, too. When  
22      you're copying natural stone, you're copying nature, we  
23      think of it as Mother Nature, but that's our point. I don't  
24      think he can claim, you know, to be in charge of all natural  
25      stone and marble.

1 CHAIRMAN JOHANSON: Thank you, Mr. Huarte.

2 MS. PETERSON: Emma Peterson, Morris, Manning. I  
3 just wanna direct you to Exhibit 3 of the Chinese  
4 respondents' prehearing brief. Because in that exhibit,  
5 we're looking at each of the pricing products for Cambria  
6 and for subject imports. And all the data within there are  
7 APO so I don't wanna get into too much detail.

8 But I think this goes to your question, right, of  
9 whether or not, you know, if there are copies, as people are  
10 saying, or products that are similar, look similar, the real  
11 question is, is that affecting the domestic industry? Is  
12 that adversely affecting petitioner? And I think that the  
13 data in our Exhibit 3 very clearly demonstrate that they're  
14 not.

15 CHAIRMAN JOHANSON: Thank you.

16 MR. PERRY: William Perry from Harris, Bricken.  
17 Just one quick comment. In addition to 337, if this is  
18 truly an intellectual property like a copyright or something  
19 or trademark, they can go directly to customs and customs  
20 will stop that at the border.

21 CHAIRMAN JOHANSON: Thank you. Thank you for  
22 your responses. My time has expired. Commissioner  
23 Williamson.

24 COMMISSIONER WILLIAMSON: Thank you, Mr.  
25 Chairman.



1           Chairman Johanson already kind of addressed this,  
2     but let me pose it slightly differently. In its Preliminary  
3     Determination the Commission found a high degree of  
4     substitutability between subject imports and the domestic  
5     like product. Do you agree with this finding? And why, or  
6     why not? And what record evidence supports your opinion?  
7     And if you've already told me that, just tell me.

8           MR. DOUGAN: Jim Dougan from ECS. I think when  
9     you're--we would disagree that there's a high degree of  
10    substitutability. But when you're thinking about this  
11    question and how to analyze it, you have to think about what  
12    kind of--what do you really mean by substitutability?

13           If you're talking about purely functional  
14    substitutability, can these things be used interchangeably  
15    as countertops is a very different question as to whether  
16    they're actually substitutable in the marketplace and  
17    whether they're viewed as substitutable by customers.

18           And, you know, this whole discussion that we've  
19    just had about this pricing premium that Cambria, among  
20    others, has not only maintained but increased. I mean, you  
21    know, you heard the Petitioners this morning talking about  
22    you saw under-selling margins increase over the POI. Yes,  
23    because the domestics raised their prices.

24           And so if things were truly purely substitutable,  
25    you know, that's not something that you would see. The

1       other thing is, if you're talking about pure  
2       substitutability, you have to keep in mind that there's  
3       substitutability between quartz and other surface products  
4       like granite and marble and natural stone.

5               So to the degree that there is sort of an  
6       elasticity of demand for quartz and how that works with  
7       respect to price, you've heard testimony of several of the  
8       witnesses today that there's been substitution away from  
9       quartz to other natural stone recently.

10              So, you know, if you're talking about--

11              COMMISSIONER WILLIAMSON:  So, no, you don't  
12       agree.  They're not substitutable.

13              MT. DOUGAN:  The answer is no.

14              COMMISSIONER WILLIAMSON:  Okay, thank you.

15              MR. DOUGAN:  I could have just said "no."

16              (Laughter.)

17              COMMISSIONER WILLIAMSON:  I did give you the  
18       opening to say why, so that's alright.

19              The Commission found price to be at least of  
20       moderate importance in pricing decisions.  Do you agree with  
21       this finding?  And if not, what record evidence supports  
22       your position?

23              MR. DOUGAN:  Jim Dougan from ECS.  I would again  
24       go to sort of the response that I had earlier to  
25       Commissioner Johanson, which is, you know, within a certain

1 segment, you know, does price play no role at all? I mean I  
2 don't think anybody would argue that.

3 But you have to keep in mind how the segments are  
4 being addressed, and to what degree, by the different  
5 players in that market. And what the customer is thinking.

6 COMMISSIONER WILLIAMSON: Is it of at least  
7 moderate importance? Less than moderate?

8 MR. DOUGAN: Less than moderate. It depends on  
9 the segment. I think it depends on the segment.

10 COMMISSIONER WILLIAMSON: Okay. I  
11 was--below that table on 2-20 on which 23 out of the 38  
12 Respondents--purchasers, responding purchasers, reported  
13 that there was not any distinguishing characteristics--i.e.,  
14 price, quality, design--between your Breton-made quartz  
15 surfaces and non-Breton-made quartz surface.

16 Now 15 purchasers indicated there was difference,  
17 and some 7 stated quartz surface products with Breton  
18 technology were higher quality and more consistent.

19 But 23 of the 38. What are we to make of that in  
20 terms of this question of comparability?

21 MR. STOEL: Commissioner Williamson, Jonathan  
22 Stoel again. I actually think you heard this morning from  
23 Mr. Davis who, again, he has a long time of experience in  
24 this industry. He believes that Breton gives his product a  
25 difference. His company has invested millions and millions

1 of dollars in Breton-related IP.

2 You heard from LG. They also have done the same  
3 thing. So I think, honestly, people don't invest--

4 COMMISSIONER WILLIAMSON: But that's back in  
5 2000, and that was compared to a different situation as to  
6 what was available.

7 MR. STOEL: Commissioner Williamson, I point out  
8 that DalTile also is using Breton technology. Their factory  
9 just opened in December of 2018. They believe, clearly,  
10 that there's some reason why Breton gives you an advantage.  
11 And I'll leave it to the LG witnesses, but I think they've  
12 already said that they believe Breton gives them advantages  
13 as well.

14 So clearly these are smart people. They're doing  
15 very well. They're investing millions and millions of  
16 dollars in this technology. It's a very different type of  
17 technology than the Chinese producers are using. And, yes,  
18 we believe that does create a difference in the market.

19 It's one of the reasons why you have this market  
20 segmentation that you've heard about today, and that clearly  
21 we need to do a better job of explaining to you in the  
22 posthearing, and we will.

23 COMMISSIONER WILLIAMSON: Even though 23 out of  
24 the 38 didn't see any difference?

25 MR. WESSEL: Commissioner, Jerry Wessel. I think

1       one way you can definitely see it is the slide we have with  
2       the Calacatta vein making process. That's unique to the  
3       Chinese producers. Because you see they're clearly making  
4       those veins by hand. That's something you simply wouldn't  
5       see in a Breton technology because of the highly automated  
6       nature of it.

7               And I also think, too, I--

8               COMMISSIONER WILLIAMSON: Yeah, but how  
9       significant is it, of what they're selling, is that?

10              MR. WESSEL: That's --

11              COMMISSIONER WILLIAMSON: I mean, exactly.  
12       They're selling all across the board, all of the different  
13       things. Because I think Cambria says they're copying their  
14       designs, too.

15              MR. WESSEL: But I think as some have mentioned,  
16       one of the big booms in the mass market was this Calacatta  
17       vein-making process, which again is a specialty in some ways  
18       of this--of the non-Breton technology, because of the  
19       ability to get into the production process and use it by  
20       hand.

21              And I also think, too, there were some people who  
22       said, yes, Breton is important. But the others said quality  
23       was one of the most important purchasing factors.

24              COMMISSIONER WILLIAMSON: Yes, there's that.

25              MR. WESSEL: And I think you're capturing in a

1 lot of ways the better quality of the Breton system through  
2 that quality variable. Some may not know. A purchaser may  
3 not know I'm getting a better quality product because I'm  
4 buying Breton, but it's a higher quality product and that's  
5 important to me.

6 So you see it in the quality variable, and you  
7 also see it in this kind of Calacatta which boomed to a  
8 significant degree in the mass market.

9 COMMISSIONER WILLIAMSON: Given what people said  
10 about comparability, is that a--are you arguing that that is  
11 sufficient to justify the pricing gap, the underselling that  
12 we've seen here?

13 MS. BEDROSIAN: This is Marisa Bedrosian. So  
14 there are some differences in the quality of the product  
15 when Breton is used. So like others have mentioned, Breton  
16 is a much more automated, mechanized form of technology.  
17 There is a press that vibrates and compresses the slab, and  
18 it creates a more dense product.

19 There's also different qualities of quartz that  
20 are available. So a quartz--there's quartz and there's  
21 others, right--so quartz is, a higher level quartz is whiter  
22 in nature, and it's also more transparent. So, for example,  
23 it's our understanding that Cambria's quartz comes from  
24 northern Canada. The most expensive quartz comes from  
25 Belgium.

1                   And so again if the quartz is more white and it's  
2                   more transparent, then it's a higher quality quartz. And so  
3                   if Cambria is using the more expensive quartz, it's going to  
4                   cost them more.

5                   COMMISSIONER WILLIAMSON: But our data, what  
6                   we're getting from purchasers, doesn't indicate that that's  
7                   a big difference between the Chinese product and the  
8                   domestic product.

9                   MS. BEDROSIAN: You're saying that the consumer  
10                  doesn't perceive the difference?

11                  COMMISSIONER WILLIAMSON: It doesn't seem--that  
12                  doesn't seem to be the case.

13                  MS. BEDROSIAN: What were the consumers looking  
14                  at, out of curiosity?

15                  COMMISSIONER WILLIAMSON: No, I'm talking about  
16                  the data we have in our Staff Report. Mr. Porter, you may  
17                  wish--

18                  MR. PORTER: Thank you, Commissioner. Again, you  
19                  have a whole bunch of information, okay? And we're sort of  
20                  suggesting that the nature of the purchaser questionnaire  
21                  makes it a little more limiting in drawing inferences from  
22                  what they're saying.

23                  We're not saying--we're not saying that the  
24                  purchaser answer wasn't being truthful. What we're saying  
25                  is, what the purchaser is saying, does he perceive a

1 difference? Well, LG Hausys America colleagues are saying  
2 they don't know whether it's Breton or not. That's a  
3 manufacturer.

4 COMMISSIONER WILLIAMSON: Yeah.

5 MR. PORTER: Okay? But again, so there is what's  
6 called purchaser responses, and that is some evidence of  
7 this idea of comparability. But I keep wanting to go back  
8 to: Is the evidence reflected in the pricing? And on the  
9 sort of health of the U.S. producers?

10 And if I may, I'd like you to look at page 14 of  
11 our prehearing brief, okay? You may not have it because  
12 there's so many briefs, but what we do here is we put LG  
13 Hausys America's price of their Georgia-produced product,  
14 first quarter 2015, and the price of their pricing product  
15 three and pricing product four in the third quarter of 2018.  
16 And we put right next to it, which is confidential, the  
17 Chinese underselling.

18 This is pricing product. This is your data  
19 pricing product. And you see--I can't be specific, but  
20 large underselling. Yet, LG Hausys America was able to  
21 increase their prices for this pricing product in the face  
22 of huge underselling.

23 So how do you square that with what the  
24 purchasers are saying? And that's kind of the, I think the  
25 difficulty that, you know, you're going to have. Yes, the



1 purchasers did say something, but then, as Commissioner  
2 Schmidtlein is saying, I want to see it in the data. And  
3 we're saying that Cambria's theory of the market doesn't  
4 explain this data here.

5 COMMISSIONER WILLIAMSON: And what does?

6 MR. PORTER: Segmentation. Okay? That Cambria  
7 has chosen to operate in the segment--

8 COMMISSIONER WILLIAMSON: What about LG? Have  
9 they chosen to do the same thing?

10 MR. PORTER: Dan Porter. Good question. So as  
11 Mike Morici, both Dan and Mike Morici have said, is they  
12 have actually approached segmentation versus imports. And  
13 by the way, China is just one of many countries that they  
14 import from. But they are choosing to concentrate their  
15 U.S. production in the more high end, and then import the  
16 low end, and be able to go to--they want--they have a  
17 different business strategy than Cambria. Okay?

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. PORTER: Cambria says I'm luxury. You hear a  
20 lot of statements, I just want to be here, fine. That's  
21 their business strategy. LG approached it, I kind of want  
22 to be able to offer something for a lot of people, so I'm  
23 going to make--and they've added--they're adding their third  
24 production line that's going to be completed at the end of  
25 this year, and they're thinking about a fourth. That's how

1 strong their demand is for their high-end products. But  
2 they also import so they can round out their product line.  
3 That's their approach.

4 COMMISSIONER WILLIAMSON: Okay--

5 MR. STOEL: And Commissioner Williamson, Jonathan  
6 Stoel, just again, Caesarstone again, as they said last  
7 week, they're playing in the medium and the premium end.  
8 And they also said China is not. I mean, this is the  
9 market differentiation. This is the luxury end. This is  
10 the selective end. This is, you know, the exclusive end  
11 versus mass market.

12 COMMISSIONER WILLIAMSON: My time has expired,  
13 but if you look at advertising, the American way is the high  
14 end, practically when you see everything. But, anyway,  
15 thank you for those answers.

16 COMMISSIONER SCHMIDTLEIN: Okay, alright, I have  
17 a few more questions. Hopefully we can get them all in in  
18 this round.

19 A question about--I know there's been a lot of  
20 discussion about the types and the look, right? And so  
21 again I just want to make sure I understand what your all's  
22 position is on whether or not Cambria can produce and is  
23 producing the white marble-style look with the long veining.  
24 Because I've looked at some of the quotes from the briefs,  
25 and in the briefs at least some of the Respondents take the

1 position that Cambria doesn't produce that.

2 And then we saw the samples that came around  
3 today that we looked at, and I know you all have looked at  
4 them. I was one of the participants in the field trip where  
5 we visited the factory and saw the inventory there on the  
6 factory floor, and there were hundreds if not thousands of  
7 slabs that were white with veining going through them.

8 So is the distinction you're drawing that it's a  
9 different type of veining? And that makes the difference?  
10 Is that what it's coming down to? Because of course as well  
11 we have the pricing products. And when you look at pricing  
12 products three and four--this is really for the lawyers--  
13 when you look at those two pricing products, which are the  
14 marble-style pricing products, you see a lot of volume from  
15 the U.S. and a lot of volume from China.

16 MR. KECK: Commissioner Schmidtlein, that doesn't  
17 look like Calacatta, okay? That's not what my customers--

18 COMMISSIONER SCHMIDTLEIN: Yeah, but the samples  
19 we sent around that they brought today--I don't know if you  
20 all have looked at those--

21 MR. KECK: They were Cambria.

22 COMMISSIONER SCHMIDTLEIN: Those were Cambria,  
23 right. That's what I mean. So they were different than  
24 that.

25 MR. KECK: Correct. And I've seen those. But

1       there's--I shouldn't say thousands, I don't know--there are  
2       many, many versions naturally that look completely  
3       different. And this product from my end users is highly  
4       personal and a unique design element.

5               My customers walk in that are on the residential  
6       side with a cabinet door, a paint swatch, and their tile  
7       backsplash ready to look at things, and they're walking by--  
8       and I disagree with the assumption that everyone else is  
9       copying Cambria. Cambria is copying the natural stone, and  
10      there's die lots of natural stone, what Josh pointed out on  
11      the sides of your podium there, would be different a hundred  
12      yards down the quarry. It'll have bigger veins. It might  
13      be more pink. It might be more, you know, grey in it. It  
14      completely changes.

15             So from our perspective, we offer a number of  
16      different products that are all deemed Calacatta or marble.  
17      Now my clients have shown a preference for the Chinese  
18      design which to my clients looks the most realistic. But  
19      they also have selected LG products and Caesarstone  
20      products. I don't offer Cambria. Cambria will not sell to  
21      me. So there's no--I don't compete with Cambria in my  
22      market, and people don't come in and say anything about  
23      price with respect to them. So I'd just like to point out  
24      that there are hundreds of different choices, and just  
25      because they make one it's the highly aesthetic nature of

1 the consumer's choice in the end of what they want.

2 You know, they can oh, look, I've got this, I  
3 should have sold it. But if it doesn't go with your design  
4 plan in your house, I don't care what. If you don't want to  
5 paint your room blue, nobody is going to tell you to paint  
6 it blue. They're not going to be able to make you do it.  
7 And so Cambria cannot force that buyer--

8 COMMISSIONER SCHMIDTLEIN: So but you're saying--  
9 I mean, you've had that experience. Are you saying that's  
10 true across the entire market? That, by and large buyers,  
11 purchasers, don't like the white marble look that Cambria  
12 offers? They passed around several of them, right. I  
13 didn't count them, I think there were twelve names in  
14 there --

15 MR. KECK: I would not say -- what I'm telling  
16 you is that in my market.

17 Which I don't compete with Cambria because I'm  
18 not able to offer. In most markets it's going to be an  
19 individual choice. My personal taste would say that, that  
20 is not as attractive as what I offer to my clients.  
21 And I think there are a lot of people that would agree with  
22 that. I'm sure that Cambria sells plenty of it, and they  
23 do sell to those people that want the Ferrari in the garage.  
24 I personally think the Camaro is a sexier car than a  
25 Mustang, but I'd like to drive it, but I can't see out of

1 the windshield.

2 COMMISSIONER SCHMIDTLEIN: Now you're talking  
3 price.

4 MR. KECK: The Camaro and Mustang are very  
5 similar cars in terms of the sexiness, but it's a personal  
6 choice for me and I think that's a lot of what has to happen  
7 out there and my personal view is that for my customers and  
8 what they report to me, is that the products I offer look  
9 fantastic, one of which being LG and one of which being  
10 Caesarstone.

11 But I will sell more of the Chinese Calacatta,  
12 than I do LG's. I do sell LGs. So --

13 COMMISSIONER SCHMIDTLEIN: Anybody else want to -  
14 -

15 MR. SHAH: Yea. This is Rupesh Shah, MSI. There's  
16 something -- I if you were to go out to a designers in this  
17 market, there's something that's referred to as the "Cambria  
18 look." I can't define it literally in one sentence. But as  
19 we've heard this is a lot about aesthetics. But if you go  
20 to designers -- the "Cambria look," not to be mistaken for a  
21 "marble-look." This is an example of a "Cambria look" or I  
22 love that "Cambria-look," right. Now we're saying, "do  
23 people like it?" I'll be honest, you'll find some people who  
24 love this, you'll find a lot of people who hate it.  
25 You start moving into mass-market looks of marble, you'll

1       probably find less people who feel this is the best thing I  
2       ever saw, but you're going to find a whole lot more people  
3       who don't hate it either.

4               It's much less polarizing. And when you go  
5       through the  
6       "Cambria look," if you ask designers, the vast majority of  
7       our colors, that they've branded, that they show on the  
8       front of their website, someone is going to love no  
9       different than you like beautiful art. But I don't think  
10      the five of you, or anyone in this room, will agree on what  
11      their favorite piece of art is.

12             COMMISSIONER SCHMIDTLEIN: Right. So here's a  
13      questions for the lawyers. Okay, so based on that, what is  
14      your position on these products 3 and 4? Right, so we have  
15      product 3 which is a 2 centimeter white port surface product  
16      marble-look, vein or movement, minimal to no visible  
17      particles. Particulates, specks, chips, crystals. Same  
18      thing 3 centimeter.

19             Is it you all's position that the volumes being  
20      shipped to the US, aren't really competing? That the people  
21      buying the volumes from China under these pricing products.  
22      These are not competing, based on I'm hearing from the  
23      witness testimony. Because even though these are both  
24      marble-looks, the vein or movement, you know, specifying no  
25      visible and other things. They are really not the same? They

1       are really  
2       not the same type of product?

3               MR. DOUGAN:    So Commissioner Schmidtlein, a  
4       couple of  
5       things. I don't think it's -- to your broader question, It's  
6       not our position that Cambria doesn't make certain things.  
7       They make more colors than anybody else, they make 166,  
8       right. So they have a broader product mix than virtually  
9       anyone. But in terms of their emphasis, and things of that  
10      nature and their ability to command a premium in every  
11      single product that they --

12             COMMISSIONER SCHMIDTLEIN:   Is it still your  
13      position that the Respondents, I know we have many of them  
14      here, represented by different Counsel, that Cambria doesn't  
15      produce the marble-look?

16             That's what -- I was looking at the brief a few  
17      minutes ago, here from Quartzmaster, on page 11.

18             MR. DOUGAN:    So in terms of the look, that is a  
19      product that Cambria has responded to the Commission by  
20      saying, "this is our marble-look," right. Now it might be a  
21      different "marble-look" than what the importers are selling.

22             There is clearly a demand for that product.  
23      People have looked at Cambria's "marble-look," versus  
24      someone else's "marble-look," and -- there is a choice there  
25      that is made based on aesthetics and taste clearly that



1 supports both a large increase in price and volume, and they  
2 might be, have different looks slightly, but they might fall  
3 broadly under the idea of marble look. But that's Cambria  
4 marble look product, because they've defined -- they've  
5 reported data for what they understand marble look to be.  
6 The importers have reported data for what they understand  
7 marble look to be.

8 And it may not be identical, right, but for their  
9 product that is they view to be competitive with the  
10 imported marble look, they're selling a lot more of it at  
11 higher prices. That tells me that there is a preference for  
12 that that cannot be based purely on an idea of competition  
13 based on price.

14 MR. KECK: Commissioner Schmidtlein, if I may.  
15 Just I think we need to always go back to say what's the  
16 position. It's not the position of LG Hausys America that  
17 can we or can't we make a white marble look. It's not their  
18 position that they don't offer a white marble look. Rather,  
19 the position, at least the position of the lawyer is what is  
20 the effect of the importation of Chinese product in price  
21 with respect to Pricing Products 3 and 4?

22 You actually have two U.S. producers' data  
23 right in front of you. You have 7, Confidential Exhibit 7  
24 of Mr. Dougan, which is showing Cambria's Pricing Product 3  
25 and 4, and you have LG Houses America in their brief on page

1 14, and you have their Pricing Product 3 and 4. Both U.S.  
2 producers were able to increase prices of Pricing Products 3  
3 and 4 in the face of massive Chinese underselling.

4 It gets to the heart of what you're required to  
5 do, the causal nexus between the imports and any of the  
6 domestic industry condition. If two U.S. producers can  
7 increase their pricing in the face of massive Chinese  
8 underselling, we think that says something.

9 Now we're struggling with quite honestly about  
10 trying to explain that, but we submit the hard data is  
11 really the evidence that we're relying on, even though  
12 admittedly we've fumbled with the explanation in describing  
13 the market segmentation. It's the hard data that's the  
14 evidence here.

15 COMMISSIONER SCHMIDTLEIN: Okay, all right.  
16 Unfortunately, we only got to one of my questions so --

17 MR. YOLTAY: Josh Yoltay if I may ma'am.

18 COMMISSIONER SCHMIDTLEIN: Yes.

19 MR. YOLTAY: Josh Yoltay. I think I understand  
20 your question and I agree with you. Yes, they have marble  
21 and as of today I do cut, manufacture and install Cambria  
22 successfully. But I would say 90 percent of the line, their  
23 color line, my customers do not pick the marble look.  
24 Instead, they do pick vibrant and unicolors for their  
25 kitchen.

1                   When it comes to marble look, even though they  
2                   do carry it, somehow it's limited because their specialty is  
3                   vibrant. It unfortunately for the customer taste, it's not  
4                   competing with the LG or other suppliers. It's not price,  
5                   it's the look because the same customer instead of colored  
6                   counter will buy another vibrant color.

7                   So they're okay to spend the money. But I  
8                   think, and I don't know why we are very upset about the  
9                   white color cutter we keep talking. But their white color  
10                  cutter I feel and find less appealing. Their strength is  
11                  the vibrant color. If you put LG, MSI or four colors there  
12                  next to your chair, I will not be able to differentiate. I  
13                  can't tell which one is which one.

14                  Put over there Cambria, I will tell you 90  
15                  percent of their product right away and not only me, you  
16                  will be able to say it too because it really differs and  
17                  stands out.

18                  COMMISSIONER SCHMIDTLEIN: Okay. Let me just  
19                  follow up. Commissioner Kearns is going to indulge me. I  
20                  had one question for you. You had been talking about the  
21                  difficulty in seaming, right.

22                  And so my question is given that the Chinese  
23                  product is done by hand, right, you were saying, and I  
24                  understood you to mean it's difficult to seam because  
25                  there's more veins, there's more movement so you see, you

1 know, thicker, thinner lines and so forth, why would it be  
2 easier to seam slabs that are being done by hand, because  
3 they're all going to be unique?

4 Is it because they just have less veining? Is  
5 that the issue? No.

6 MR. YOLTAY: Maybe yeah, a little less veining.  
7 It's excellent question. You will face the same difficulty  
8 with the Chinese color cutter or LG color cutter or any  
9 other. But when you look at the product pallet, like LG has  
10 color cutter here, but they have many, many steady colors as  
11 well, which we use in the builder industry.

12 COMMISSIONER SCHMIDTLEIN: When you say "steady  
13 colors," you mean solid colors?

14 MR. YOLTAY: Just like the ones on the ends of  
15 your desk.

16 COMMISSIONER SCHMIDTLEIN: Oh okay.

17 MR. YOLTAY: Yes, consistent.

18 COMMISSIONER SCHMIDTLEIN: I see. So it  
19 doesn't matter where you seam it because it's just --

20 MR. YOLTAY: You're absolutely right.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. YOLTAY: So if I go to builder with LG's  
23 pallet, I put six steady colors or you want color cutter.  
24 We also put color cutter as, you know, one very, very  
25 highest upgrade. Yes, we will face and every fabricator

1 here will confirm the seaming problem. But I have another  
2 eight, nine, ten colors uniform that I can put into builder  
3 programs, and for any fabricator here builder is 80 percent  
4 of our business.

5 COMMISSIONER SCHMIDTLEIN: But I mean given  
6 that Cambria offers 150 or 160 different designs, don't they  
7 have the steady colors as well that are easier to seam? No.

8 MR. YOLTAY: I have never in that many years  
9 received a call or request from homebuilder, and again we do  
10 not determine what they want; they choose it. Like bring  
11 the Cambria, I want to price it and I want to see it. They  
12 have their designers looking at different manufacturers.  
13 They go and look what is Silestone manufacturing, what is LG  
14 manufacturing and they pick their pallets from there.

15 So probably because it's very vibrant and maybe  
16 the price point, the builders do not request me, I'm talking  
17 about my behalf, for this product.

18 COMMISSIONER SCHMIDTLEIN: You're not sure why  
19 though, if it's price or if it's aesthetics or what?

20 MR. YOLTAY: Oh, my opinion?

21 COMMISSIONER SCHMIDTLEIN: Yeah.

22 MR. YOLTAY: I think aesthetics, it is so  
23 beautiful. Price, let's put it on aside, because tomorrow  
24 they can say okay, I'm lowering the price and I'll buy it.  
25 No. They are trying to keep away because of this seeming

1 problem. They want uniform house so your neighbor is not  
2 going to complain yours is look better. It should be as  
3 uniform as possible. That is what builder wants with the  
4 added value of maintenance-free product, which is quartz.  
5 You don't need to seal. Rare is it to scratch. That is my  
6 opinion.

7 COMMISSIONER SCHMIDTLEIN: Yeah, okay.

8 MR. YOLTAY: Thank you very much.

9 COMMISSIONER SCHMIDTLEIN: Thank you.

10 COMMISSIONER WILLIAMSON: Commissioner Kearns.

11 COMMISSIONER KEARNS: Thank you. I'm going to  
12 stay on the same subject, maybe go at it a different angle.  
13 But I'm going to go back to what you said, Mr. Planert a  
14 while ago. You stated that market segmentation can be seen  
15 in our product pricing data. What's hard for me to accept  
16 is that what I'm hearing from Respondents generally is that  
17 Cambria makes the exotic products that just don't appeal to  
18 the mass market.

19 But when we look at Product 4, white quartz  
20 surface product with a marble look with veining or movement,  
21 that doesn't sound very exotic to me, and I think that's  
22 what I'm hearing. It's the same product. It seems to me at  
23 least, tell me if I'm wrong, but it seems to be the same  
24 product China and U.S.

25 What I would add is I don't know, and obviously

1       this is proprietary data so I have to be careful, but I  
2       don't know who, which U.S. producer has produced most of  
3       this product. But what I can tell you is there's a lot of  
4       product from the U.S., a lot of overlap between the U.S. and  
5       China here for Products 3 and 4.

6               So it seems to me like there isn't a lot of  
7       segmented competition there. So I guess I'd like you all to  
8       respond to that.

9               MR. PLANERT: Well Commissioner, I think you've  
10      put your finger exactly on it though, when you say well, it  
11      looks like the same product and in terms of those product  
12      def, you know, the definitions of the pricing product, yeah  
13      they are. They're, you know, whatever the thickness,  
14      whatever the specs are. They're the same product.

15              And yet they're clearly not the same product,  
16      because one of them is consistently selling at a huge  
17      premium to the other.

18              COMMISSIONER KEARNS: Okay, right. So that  
19      gets to what I think -- the only explanation for that that  
20      I see in terms of segmentation of any kind or attenuation of  
21      any kind is what Ms. Mendoza was saying this morning. Like  
22      okay, well if it's a brand difference, you're going to have  
23      the exact same price I think is exactly what Ms. Mendoza  
24      said this morning.

25              MR. PLANERT: Right.

1                   COMMISSIONER KEARNS: Could be exact same  
2     product and there is this difference. I hear you on that.  
3     I'll tell you like if it were me I'm going to into the  
4     showroom and I'm seeing a huge price difference and someone  
5     has to tell me this is Cambria and this one's not. I'd be  
6     like yeah, you know what? I don't --

7                   MR. PLANERT: I'm with you. I'd be the same  
8     way.

9                   MS. MENDOZA: But he'd be the same way. I'm  
10    not saying I would, okay. But anyway, I mean I think --

11                  COMMISSIONER KEARNS: We won't judge one  
12    another.

13                  MS. MENDOZA: And what you'll have to keep in  
14    mind is that there is a certain segment of our population,  
15    our country that's growing, okay, that is willing to pay  
16    more for products because they are associated with Cambria.

17                  COMMISSIONER KEARNS: I hear you, but answer  
18    this then though.

19                  MS. MENDOZA: Okay.

20                  COMMISSIONER KEARNS: If you look at the market  
21    shares for these two products, China is gaining pretty  
22    dramatically for these two products.

23                  MS. MENDOZA: But I think it's the same issue.  
24    It's not where Cambria is focused, right? I mean we can --

25                  COMMISSIONER KEARNS: I don't know. I don't



1 know who's making this because it's aggregated, but plenty  
2 of U.S. producers are making these two products, plenty, and  
3 yet there's -- and there's total underselling and the  
4 Chinese are gaining a whole lot of market share. That's  
5 what I'm seeing.

6 MR. PORTER: Commissioner Kearns, Dan Porter.  
7 Okay. LG Houses America sold out, sold out virtually the  
8 entire period. They can't, they couldn't produce any more  
9 of their U.S.-produced Product 3 and Product 4, even though  
10 demand was exploding. That's why they're putting in an  
11 entire new production line that will become operational  
12 later this year. So a growing market, and you can't produce  
13 anymore, obviously the imports are going to increase their  
14 market share.

15 COMMISSIONER KEARNS: Uhh okay. That's a  
16 totally different issue that is not addressing market  
17 segmentation though. What I'm seeing here is you look at 3,  
18 you look at 4, I'm seeing a very similar product, and by the  
19 way so one question is, this is a few slides back that you  
20 all showed. I think this was something that Mr. Shah may  
21 have been pointing out, where there was a -- no, not that.  
22 Can you go back -- that. No, not -- that one.

23 That's not marble look, right? Okay. So it  
24 seems like we're talking about a very similar product.  
25 We're talking about lots of volumes on both sides. We're

1        talking about underselling and we're talking about lots of  
2        lost market share, and I think that that to me is where I'm  
3        having a hard time seeing segmentation.

4                    I do see how some price difference, I would  
5        guess, is attributable to the brand of Cambria. But it  
6        seems to me like that's not working so well, that they are  
7        gaining market share.

8                    MS. PETERSON: Commissioner Kearns?

9                    COMMISSIONER KEARNS: Yeah.

10                   MS. PETERSON: Emma Peterson, Morris Manning.  
11        I hear you, and this is something that Jim addressed a  
12        little bit earlier, talking about the entire market, not  
13        just pricing products, that there was some shift in market  
14        share. But that's not because U.S. producers' shipments or  
15        sales are declining, and it's actually quite the contrary.  
16        If you look at page nine of Chinese respondents' prehearing  
17        brief, everything's bracketed in the table there.

18                   But there are some very, very significant  
19        increases in U.S. producers' shipments of those products,  
20        and again this goes to what Dan mentioned about how, you  
21        know, he said LG was sold out. There are other mentions of  
22        supply constraints. So all I'm suggesting is that it wasn't  
23        limiting U.S. producers from increasing their shipments or  
24        sales.

25                   That's actually happening, and to the extent

1       there is a market share shift, maybe some of these other  
2       factors are playing into that.

3                   COMMISSIONER KEARNS: Right. So that's -- I  
4       mean it's worth us looking into that if this is really just  
5       capacity constraints.

6                   MR. DOUGAN: Commissioner Kearns,  
7       Jim Dougan. If I can just add a little bit to that. In  
8       addition to what you've heard from Mr. Planert, Mendoza and  
9       Ms. Peterson, you know, there is -- by the way I thought I  
10      heard witnesses this morning talk about how Britannica was a  
11      marble look for Cambria.

12                  I may have misheard that, but if that's their  
13      definition of a marble look or it falls under their  
14      umbrella, that would be quite different than maybe what  
15      you're getting from some of the importers or even other  
16      domestic producers. But you have a very, very large -- the  
17      increase that you see in those products for Product 3 and 4  
18      actually not just of price but of volume, far outstrips the  
19      overall increase in domestic producers' volume. Which means  
20      that in these products, they were increasing at rates  
21      faster than their overall shipments.

22                  That may say something about the demand for  
23      that look as opposed to some of the other looks, and what --  
24      one thing to keep in mind is the emphasis of the domestic  
25      producers and where the plurality of the looks that their

1 products fall under. I have to be careful about getting  
2 into proprietary information, but this might be a relatively  
3 smaller --

4 It was chosen by Petitioners because it was  
5 deemed to show the most overlap in competition. But it  
6 might not be as important of a product for them relative to  
7 their entire product mix.

8 COMMISSIONER KEARNS: Okay. I'm going to shift  
9 for a minute, and I think you've given me a good way to do  
10 that, as you Ms. Peterson, because I think we do need -- I  
11 want to ask some questions about capacity utilization. But  
12 I will point out, I mean these are again proprietary, so  
13 you've got to be careful. But these are look to be very  
14 important products to the U.S. industry. You know, from my  
15 perspective both from a volume side of things and price side  
16 of things compared to other products.

17 So yeah. But I think we're now moving from  
18 market segmentation to capacity utilization, and that  
19 starting with Mr. Porter, and I want to get me back to  
20 something you had said earlier, Mr. Dougan.

21 If I heard you correctly, you pointed out that  
22 Cambria's number of offerings is increasing over time, and  
23 that would explain -- and this is probably going to be a  
24 question for both you and Petitioners, and that increase in  
25 product offerings might explain a drop in capacity

1 utilization.

2 I think that's an interesting hypothesis, but I  
3 guess it's based on the assumption that they are producing  
4 every product that's on their list of what they are able to  
5 put on the market, right?

6 The presence of women and minorities says nothing  
7 about his popularity in those voter groups.

8 MR. DOUGAN: Actually, it's not based on that  
9 assumption. It's based on just the sheer number of products  
10 that they produce, relative to anyone else. So I think what  
11 I mentioned was let's assume it's an 80-20 --

12 COMMISSIONER KEARNS: But you don't know what  
13 they're actually producing, right? You know what they are  
14 offering.

15 MR. DOUGAN: We know what they're offering.

16 COMMISSIONER KEARNS: Which they could have an  
17 inventory or they could say well, we don't -- we're not  
18 producing it right now, but if you want us to we can make  
19 it.

MR. DOUGAN: Sure.

20 COMMISSIONER KEARNS: But they might not be  
21 doing it, right?

22 MR. DOUGAN: Sure, absolutely.

23 COMMISSIONER KEARNS: That's my point.

24 MR. DOUGAN: No, totally 100 percent. But I say  
25 that even if you -- so publicly, LG and Cesar Stone make

1       about 50 different offerings, and Cambria makes 150-160.

2               COMMISSIONER KEARNS:   Right.

3               MR. DOUGAN:   But even if you apply like an 80-20  
4       rule, right?  You say that like okay, Cambria makes 100 and  
5       --

6               COMMISSIONER KEARNS:   But this is what I think  
7       it would be.  But rather than hypothesizing about it, it's  
8       an interesting point.  I think it's an important point.  I  
9       don't know how Respondents would be able to help us flesh it  
10      out.  I think Petitioners could, right.  I think for the  
11      Petitioners, I guess I'd like to know of your 166 different  
12      products, how many of those did you make in the POI, you  
13      know?  Information like that would be helpful to get us to  
14      better understand whether the drop in capacity utilization  
15      be attributed to a growth in the product offerings.

16              MR. DOUGAN:   And on that point, we can say and I  
17      think Mr. Porter pointed out, I mean LG can answer the  
18      question for themselves.

19              COMMISSIONER KEARNS:   Okay sure, absolutely.

20              MR. DOUGAN:   And I think -- and if you look at  
21      -- he referenced the data in the staff report.  I think it's  
22      Table 3-7, where you look at the trends in utilization for  
23      the different, the U.S. slab producers, and you see very  
24      different trends and you see that -- I mean without getting  
25      into proprietary information, the producers that produce the

1 much more narrow product set have way higher capacity  
2 utilization.

3 So when you see differing trends from slab  
4 producers who are presumably affected all the same by these,  
5 this large volume of subject imports that are coming into  
6 the market, why do you see different trends?

7 COMMISSIONER KEARNS: Yeah.

8 MR. DOUGAN: And when one of the producers  
9 increased their product offering by a third, it might help  
10 to explain that. Obviously, we don't have access to their  
11 information. But when you see the information, you see them  
12 talking about it, there is -- there is a very marked  
13 difference in their product mix and it might help to explain  
14 different trends that you actually observe in the data.

15 COMMISSIONER KEARNS: Okay, that's helpful. Mr.  
16 Porter.

17 MR. PORTER: Yeah Commissioner Kearns, Dan  
18 Porter. Just LG Houses America is a U.S. producer of  
19 quartz, okay, and I ask you when you get the chance, look at  
20 our prehearing brief, Attachment 2, page four of Dan Prokop,  
21 who's next to me, his sort of sworn declaration.

22 He describes the complication and down time that  
23 you get with increasing sort of colors and designs and so  
24 forth. He just whispered to me it is an absolute fact when  
25 they made the business decision to increase their offerings

1 of what they call C&D, the more high-end, more sophisticated  
2 patterns, his capacity utilization dropped.

3 COMMISSIONER KEARNS: Right.

4 MR. PORTER: But they made that business  
5 decision because, you know, they analyzed all that and  
6 that's what they wanted to do. So that's why in this  
7 particular industry, capacity utilization is a little bit  
8 harder to sort of make inferences from sort of broad shifts  
9 in data.

10 MR. DOUGAN: And actually if I could just --  
11 sorry, just to add on one point there. When you're also  
12 looking at this, one would expect that if one's capacity  
13 utilization fell precipitously, that that would have an  
14 impact on one's unit cost and how your ability to absorb  
15 those fixed costs, and you would expect that that would have  
16 an impact on your gross margins, right, because that's  
17 really where your production costs are absorbed. That's  
18 where that's reflected.

19 COMMISSIONER KEARNS: Right.

20 MR. DOUGAN: I invite you to look at the gross  
21 margins of the various domestic producers and see if there's  
22 a correlation between those who report the precipitous  
23 declines in utilization and changes in their gross margins.

24 COMMISSIONER KEARNS: Okay, that's helpful.  
25 Thank you. Just to wrap up on that, I think there's a



1 couple of things I want to add. No, I mean I think that's  
2 basically it. But I guess it would be helpful if LG can  
3 also, just as maybe a point of comparison to Cambria, how  
4 many products you produced over the POI and how that  
5 affected your capacity utilization, that would be helpful.

6 MR. DOUGAN: We'll be happy, they'll be happy to  
7 do that.

8 COMMISSIONER KEARNS: Great, thank you. My  
9 time's up. Thanks.

10 COMMISSIONER WILLIAMSON: Thank you. Just one  
11 question, and you can answer this post-hearing if you want.  
12 We haven't had any discussion about non-subject imports and  
13 their role. I'm thinking particularly Israel and Spain,  
14 given that they were some of the earlier producers of this  
15 product, and also taking a look at Appendix F, the pricing  
16 data there. I want to know -- just comment on that  
17 post-hearing as to what bearing, how we should take that  
18 into effect in terms of their impact compared to the  
19 Chinese impact.

20 MR. PORTER: We'll do that, Commissioner.

21 COMMISSIONER WILLIAMSON: Good, okay. Thank  
22 you. Commissioner Schmidtlein.

23 COMMISSIONER SCHMIDTLEIN: Yeah. I had a couple  
24 more questions. One was I don't think anyone else has asked  
25 this this afternoon, but how do you respond to the testimony

1       this morning from Cambria that they do participate in the  
2       commercial segment, as they define it, and they have 50  
3       sales people dedicated to just that?

4               MR. STOEL: Commissioner Schmidtlein, Jonathan  
5       Stoel again. I think there was some discussion about it.  
6       How the word "commercial" and all of the witnesses, to  
7       emphasize my point briefly, may be misleading. Remember, as  
8       I said, when you're in the lobby of the hotel, you'll see  
9       Cambria in the lobby and that may be considered commercial.

10              But when you go upstairs to Floor 2 to use  
11       Commissioner Kearns' point, you don't see Cambria because  
12       that's the mass market. So I think the term is misleading.  
13       Yes, there's certainly Cambria in the commercial segment,  
14       but not I think as the witnesses were pointing out across  
15       the street, where you see a basic office building being  
16       built. That's a different kind of market. But again, Tim  
17       or others might want to weigh in on that.

18              MR. WESSEL: Commissioner, Jared Wessel, just  
19       very quickly. As far as information we currently have on  
20       the record about how they deploy their sales force, they had  
21       one individual in California dedicated to the builder  
22       market, and he was let go. So they had nobody dedicated to  
23       serve in the builder market in the biggest state in America.

24              COMMISSIONER SCHMIDTLEIN: So is that -- I guess  
25       that's different than a "commercial" market?

1                   MR. WESSEL: Correct. Different than  
2 commercial, but again this builder segment that they've  
3 consistently said that they do not serve, they literally had  
4 one guy in California that they let go.

5                   MR. PORTER: Commissioner, again the LG House  
6 Americas guys were whispering in my ear. If you look at the  
7 chart that they did, if you look at his chart and the chart  
8 in terms of relative size, you see that the builder is  
9 actually -- of course their best estimate is twice the size  
10 of the commercial market, and it had the biggest growth.

11                   So when they say they participate in commercial  
12 really is the builder market, which Mike's saying is a  
13 really distinct market, okay, and that's different than  
14 commercial. I believe, and I know there was a lot of  
15 testimony today, that most of the testimony says Cambria  
16 itself says we don't want to participate in the builder  
17 market or not as much, okay.

18                   I think it's the builder market that really is  
19 the argument of I believe Respondents. Again, I'll allow  
20 others to --

21                   COMMISSIONER SCHMIDTLEIN: Okay, and have -- do  
22 you all, you know, given that demand is going up over the  
23 POI, at least as a total number, has demand been going up in  
24 each of the segments?

25                   MR. PORTER: Again, with the -- from data --

1 COMMISSIONER SCHMIDTLEIN: How would you define  
2 them?

3 MR. PORTER: Yeah, the data from LG House  
4 Americas, we have a chart that tells you the size of the  
5 market and the growth rate. So it's right here.

6 COMMISSIONER SCHMIDTLEIN: And every, every --

7 MR. PORTER: Yeah, every one of the segments.

8 COMMISSIONER SCHMIDTLEIN: Every one of them is  
9 going up, okay, okay.

10 MR. PORTER: The last question I had was back to  
11 the pricing products. I know we've been focused on 3 and 4.  
12 But when you look at the other ones, at least for the slabs,  
13 all of them, the price of Chinese product went down over the  
14 POI. And that's -- it's actually public what the price is,  
15 and the pricing products are for the subject imports.

16 So my question is given that demand was going up  
17 so much, why was the price of Chinese product actually going  
18 down? Does anyone want to take a shot at that?

19 MR. JORGENSEN: Alan with Bedrock Quartz. My  
20 experience is actually opposite. The last several years  
21 that I've been importing, my prices have crept up. So I  
22 don't know about the overall data set.

23 MR. DOUGAN: Commissioner Schmidtlein, Jim  
24 Dougan. We'll look into getting some data, and maybe it  
25 varies based on what importers are reporting at different

1 times and maybe new ones entered the market. We'll take a  
2 look and try to find out what accounted for that trend. I  
3 think one thing to please keep in mind when you're looking  
4 at the domestic prices, because we've obviously emphasized 3  
5 and 4, because that's where most of the subject imports are  
6 and because there's increasing prices.

7 But one thing I would like the Commission to  
8 keep in mind is, especially when you look at Confidential  
9 Slide 7 and those price trends, that even for the pricing  
10 products for which you see flat or declining domestic  
11 producer prices, that doesn't necessarily reflect actual  
12 declining prices by those producers, but rather different  
13 relative shares of U.S. producers' counted towards that  
14 weighted average.

15 COMMISSIONER SCHMIDTLEIN: Okay. Well if you  
16 could take a look, because even in the -- even with all 12  
17 pricing products, right, for the six fabricated products  
18 that we collected pricing data on, which was that sort of  
19 subcategory of fabricated products, Chinese prices go down  
20 in all 6 of those products as well, in addition to the slab  
21 prices.

22 MR. DOUGAN: We'll look into more information on  
23 the Chinese prices. But I would just caution that if you --  
24 if you're seeing the aggregate U.S. price decline, and  
25 that's inferred to be in response to a decline in Chinese

1 prices, it's not actually so because the individual U.S.  
2 producers aren't even necessarily having declining prices,  
3 but rather there's a weighted average.

4 COMMISSIONER SCHMIDTLEIN: Yeah, no. I was more  
5 inquiring about the trend, just given the strong demand, the  
6 overwhelming strong demand, strong and increasing demand,  
7 wouldn't it expect to see -- you wouldn't expect to see  
8 prices going down at all, right, in a typical market. So  
9 putting aside the comparison with U.S. prices, why are  
10 Chinese prices falling when demand is going up so much? So  
11 you can answer it --

12 MR. DOUGAN: We'll take a look at that in our  
13 post-hearing. thanks.

14 COMMISSIONER SCHMIDTLEIN: Okay, all right. I  
15 don't have any further questions.

16 COMMISSIONER WILLIAMSON: Commissioner  
17 Broadbent.

18 COMMISSIONER BROADBENT: Yeah. I had one  
19 question for the Chinese respondents. To what extent will  
20 importers and Chinese producers take advantage of a gap in  
21 provisional duty coverage that will take place in May  
22 through June as a result of the government shutdown, which  
23 Petitioners allege will happen? To what extent does this  
24 affect our critical circumstances considerations?

25 MS. MENDOZA: This is Julie Mendoza. I don't, I

1 don't understand at all how it could affect a critical  
2 circumstances determination. I mean the law provides very  
3 specifically for the factors that you're supposed to  
4 consider there, and I would just say that given the fact  
5 that Petitioners just filed a case against two other  
6 countries and said in their petition that the only reason  
7 they didn't enjoy the benefits of the case against China was  
8 because of the imports from India and Turkey.

9           So I think that pretty much settles it on, you  
10 know, what the reason was for them not being able to fully  
11 gain the advantage of filing this case against China. In  
12 terms of the gap period, you know, what I -- obviously I  
13 haven't spoken to every single company in the United States  
14 about what their intention is, but my expectation would be  
15 that it logistically it's very complicated to get these  
16 products in, and that unless people have had, you know, have  
17 the ability to sort of move into that area quickly, I think  
18 it's going to be very, very hard.

19           As far as I know on the importer side, a lot of  
20 importers have already decided that they are, you know,  
21 looking for other sources and going to other markets, and  
22 hence I think this trade case that's just been filed and the  
23 concern there. So in sum, I can't, you know, read people's  
24 minds on what they're going to do during this gap period.

25           I'm skeptical that it's going to be some big

1       increase at all because of the logistics involved. But  
2       finally and most importantly, it has absolutely nothing to  
3       do with critical circumstances.

4               COMMISSIONER BROADBENT:     Okay. Thank you very  
5       much. For Mr. Shah --

6               MR. WAITE: Commissioner Broadbent?

7               COMMISSIONER BROADBENT:     Yep, yep.

8               MR. WAITE: Jason Waite. We would submit that  
9       the gap period has zero relevance to the critical  
10      circumstances analysis under the statute, and Mr. Brown can  
11      comment on ASG's plans.

12              MR. BROWN: Yes, and also from an actual product  
13      side, we have pivoted outside of China afterwards. We  
14      didn't want to circumvent any tariffs or any -- so we will  
15      not be taking advantage of the gap period at all.

16              COMMISSIONER BROADBENT:     Okay, thank you.  
17      This is just a question for Mr. Shah, and maybe you can  
18      supply this for the record. We'd be interested in any  
19      additional information you have available regarding price  
20      trends for substitute products, such as granite, marble,  
21      laminate and quartzite.

22              That would be helpful to us. I think that  
23      concludes my questions, and so I appreciate all the  
24      witnesses' participation today. It's been a fairly long day  
25      and we appreciate you being with us.



1                   COMMISSIONER WILLIAMSON: Do any other  
2 Commissioners -- Commissioner Schmidtlein?

3                   COMMISSIONER SCHMIDTLEIN: Yeah.

4                   COMMISSIONER KEARNS: You go ahead. You're  
5 first, I think right.

6                   COMMISSIONER SCHMIDTLEIN: Okay, all right. I  
7 did have one more question. This has to do with domestic  
8 industry. So I know we have, I guess, 15 questionnaires  
9 from fabricators. My question is, and I guess for those of  
10 you, I assume that all the fabricators here have submitted  
11 questionnaires as far as you know. Okay. So maybe you know  
12 the answer off the top of your head.

13                   Are the fabricators for whom information we have  
14 also cutting stone that is not quartz? So you're still  
15 cutting granite, you're still cutting -- okay. So the  
16 question I guess for the lawyers is how does that impact our  
17 analysis, and I haven't looked at the individual  
18 questionnaires in terms of the capital investments, the  
19 number of employees.

20                   I don't know whether you all tried to separate  
21 that or whether you can because employees are cutting both,  
22 whether you estimate, you know. So how does that impact  
23 your analysis when you have companies that are I guess sort  
24 of participating in more than one industry arguably?

25                   MR. STOEL: Commissioner Schmidtlein, given the

1 hour we'll address that post-hearing. I would just point  
2 out that what you've heard from the witnesses is just like  
3 there are new U.S. slab producers. A lot of fabricators  
4 have moved their operations toward quartz. They used to cut  
5 granite or they used to do things for granite, and now  
6 they're focused on quartz. But we'll address that more  
7 post-hearing.

8 COMMISSIONER SCHMIDTLEIN: Okay, and I would  
9 invite the Petitioners to do so as well.

10 MS. MENDOZA: I mean Commissioner Schmidtlein,  
11 this is Julie Mendoza again. Just very briefly, the only  
12 other thing I would say is that in terms of your analysis,  
13 one thing that's really important that all the witnesses, I  
14 think, have alluded to is that the real price cap on this  
15 sort of builder market level of mass market, wherever you  
16 want to call it, the real price, you know, the thing that  
17 holds the prices at a certain level is the competition,  
18 right, with granite and with marble, because if prices get  
19 to a certain level, customers will start to switch,  
20 particularly builders and people like that.

21 So you know, if you're looking for an  
22 explanation of why in the mass market prices are where they  
23 are, it probably has a lot to do with the competition from  
24 these other materials. Do you agree with that?

25 COMMISSIONER SCHMIDTLEIN: So you're saying that

1 the price of granite impacts the price of quartz?

2 MS. MENDOZA: I'm saying that it -- if prices of  
3 quartz get to a level at which they no longer -- the  
4 customers can no longer justify buying quartz as opposed to  
5 granite or marble, then that is going to act as a deterrent  
6 to increasing the prices of the mass market for quartz,  
7 which is being sold in direct competition.

8 MR. SHAH: This is Rupe from MSA. I mean let me  
9 help you understand that a little bit better. If you think  
10 about the builder market, take any of the top production  
11 builders, Olinar, a KB Homes, and NBR/Ryan Homes, they've  
12 been putting granite at a certain point.

13 I don't know how much how familiar with  
14 builders, it's a non-discussion if they want to swap out of  
15 the product for a substantially different price point.  
16 They're just going to keep it as granite, right. So  
17 obviously the price of granite affects the price of quartz.

18 MR. STOEL: Commissioner Schmidtlein, Jonathan  
19 Stoel for the record. You'll see declarations appended to  
20 our briefs from both Mr. Shah and Mr. Huarte, that talk  
21 about this correlation, and we did already provide some  
22 information about the prices of granite and explained a  
23 little bit more. But we'll address this further.

24 COMMISSIONER SCHMIDTLEIN: Okay. Well that's  
25 very interesting, because if you look at, and if you could

1 include this in your response, the staff report page II-16,  
2 Roman numeral II-16, this is public right? Where in the  
3 survey questions to producers, importers and purchasers, we  
4 have 12 of 15 U.S. producers, 46 of 62 importers and 37 of  
5 41 purchasers indicated that changes in the price of granite  
6 do not affect the price for quartz surface products.

7 MR. STOEL: I actually -- Jonathan Stoel for the  
8 record. I actually looked at that quite a bit myself  
9 Commissioner Schmittlein, and we'll address that  
10 post-hearing.

11 COMMISSIONER SCHMIDTLEIN: Okay, all right.  
12 Thank you.

13 COMMISSIONER WILLIAMSON: Commissioner Kearns.

14 COMMISSIONER KEARNS: Yeah. Just real quick,  
15 and this can be in the post-hearing brief. But on critical  
16 circumstances, what is the appropriate length of the  
17 comparison periods, giving the timing of Commerce's  
18 preliminary CVD determination, and I think you all had  
19 talked about long term contracts and you have talked about  
20 it quite a bit I know here and in your briefs.

21 If you can help document, you know, what, to  
22 what extent -- to what extent the product that was coming in  
23 after, after the petitions, after the prelim, to what extent  
24 that is product that's covered by long-term contracts. So  
25 again, something that can help us kind of look at the data

1 in aggregated form better, that would be helpful.

2 COMMISSIONER KEARNS: Thank you. That's it.

3 COMMISSIONER WILLIAMSON: Okay. Any other  
4 Commissioner questions? There are no Commissioner  
5 questions. Staff have any questions for this panel?

6 MR. JONES: No questions from staff.

7 COMMISSIONER WILLIAMSON: Thank you. Do  
8 Petitioners have any questions for this panel?

9 MS. DRAKE: No, thank you.

10 COMMISSIONER WILLIAMSON: Good, okay. Thank  
11 you. Well I just want to thank this panel for their  
12 testimony and hanging in here this long. It's now time for  
13 closing statements and I'll dismiss you. But let me just  
14 give the time for closing statements. The Petitioners have  
15 12 minutes direct and 5 minutes for closing for a total of  
16 17, and Respondents have 1 minute direct and 5 from closing  
17 for a total of 6 minutes.

18 So as soon as this panel is settled, we will  
19 have closing statements, and thank you.

20 MR. BURCH: Will the room please come to order?  
21 Rebuttal and closing remarks on behalf of the Petitioner  
22 will be given by Roger B. Schagrín of Schagrín Associates.  
23 Mr. Schagrín, you have 17 minutes.

24 COMMISSIONER WILLIAMSON: When you're ready,  
25 thank you.

1 CLOSING STATEMENT OF ROGER B. SCHAGRIN

2 MR. SCHAGRIN: Thank you, Commissioners. I'd  
3 like to thank you for your patience today during a very long  
4 hearing, your excellent questions. I'd like to thank the  
5 staff for their exemplary work putting together a very  
6 comprehensive staff report.

7 I'd like to start first with everybody wearing  
8 the lovely red shirts, Save American Quartz Jobs. So that's  
9 what we're here to do today. I just want to assure them  
10 that I've spent 38 years trying to protect American jobs. I  
11 know there's obviously more jobs in fabricating quartz than  
12 there are in producing quartz slab.

13 The ITC has heard for years, usually from  
14 clients of originally Hogan and Hartson, Hogan Lovells, more  
15 jobs in metal fabrication than in steel production. But we  
16 analyze each of these cases based on their records, and  
17 trade cases are not just about lobbying exercises, thank  
18 goodness not who, you know, brings the most people and who  
19 gets the most signatures on petitions.

20 Luckily for all of us involved, particularly the  
21 smaller firms up against the goliaths, it's about the  
22 factual record that your staff puts together. And let me  
23 just tell you what will happen to your fabricator jobs if  
24 the Chinese importers win. As Mr. Brown testified today,  
25 all of the new dormitories at Syracuse University were

1 pre-fabricated in China.

2 The record is replete with the fact that more  
3 and more of the imports from China now are being fabricated  
4 in China. As we all know about the Chinese Communist  
5 government, they want to subsidize more employment in China.  
6 On this issue, the Commission can look at importer  
7 questionnaires for what their plans are in the future.

8 So if we lose this case, first the U.S. slab  
9 producers will be shut down, but then I will guarantee a lot  
10 of fabrication jobs, where folks are fabricating Chinese  
11 slabs today, your jobs will be replaced by the importation  
12 of pre-fabricated products from China.

13 Instead, if we win this case, you should have  
14 the opportunity to buy from five U.S. producers and maybe  
15 even more given the growth in this segment, and that will be  
16 good for everyone.

17 Now let's get to the main issue that the  
18 Respondents raised today, which is attenuated competition.  
19 Hate to say this about Cambria but, you know, the Cambria  
20 brand has become almost worthless as a brand. As Mr. Davis  
21 talked about, the importations from China of all these  
22 products in the same patterns of design have flattened out  
23 the market. Nothing could show this more, and I'm not great  
24 at Internet searches, but I will guarantee for all of you,  
25 if you go and Google white quartz marble on your computer,

1       within 15 minutes you'll see 20 different offerings of  
2       different brands.

3               It's Cambria, it's Viatera, it's Silestone, it's  
4       Daltile. It's 20 different Chinese brands. As you can tell  
5       from this record, they're now all beginning to make the same  
6       looking quartz surface product. So it's becoming a  
7       commodity product, and that's why new cases were filed.

8               You heard importers say hey, we're switching  
9       from China to India and Turkey. That's why we had to file  
10      new cases. Now maybe I'm missing something here, you know.  
11      We had some new counsel at the final, but we had a lot of  
12      the same counsel and the same economic analysts at this  
13      final hearing that we did at the preliminary conference.

14              Now they will have the opportunity to comment on  
15      the draft questionnaires. We read those comments on the  
16      draft questionnaires. There was not one comment filed by  
17      all these folks who spent all their time in the prehearing  
18      briefs, who spent 50 minutes out of their one hour of  
19      testimony on attenuated competition saying Commission staff,  
20      why don't you gather information on the mass market  
21      products, the homebuilder product, the hotel product, the  
22      this product, the that product segmentation?

23              They could have -- instead, they wait until now  
24      and say let us tell you about all the product segments. You  
25      know, we had more discussions. We're going to do our best



1 to answer your questions, Commissioner Kearns, about where  
2 Cambria's product go. But the fact is a lot of their  
3 products go to fabricators and to distributors, and they  
4 don't know the end use of all their sales.

5 So I was just amazed that LG is able to say we  
6 can tell you, even though I'm sure they mostly sell through  
7 distributors and fabricators, we can tell you where every  
8 single ton of our product goes. I just think it's amazing.  
9 I mean maybe they're just making good estimates, or maybe  
10 they're really trying to win this case and ensure that they  
11 don't have to pay any duties on their Chinese products.

12 So and I think, and many of you Commissioners  
13 pointed out, the best place for information on the  
14 substitutability of these products is in your staff report.  
15 I mean the Commission staff did get excellent information  
16 from purchaser questionnaires on the substitutability of  
17 these products.

18 We just found out, you know, once again they all  
19 said oh Cambria can't sell it. Cambria is a Ferrari. Well,  
20 it's funny. Somebody, one of the Cambria people texted me  
21 and said, you know, the Hyatt Place Hotel, like what is it  
22 100 yards from this Commission building, all of the rooms  
23 have Cambria surface products. Now you would think based on  
24 the testimony that Cambria would only be selling to Four  
25 Seasons Hotel or to Chanel stores.

1                   But no. They sold to Hyatt Place and I'm, you  
2                   know, maybe I've missed it. I don't think Hyatt Place is  
3                   the Nieman Marcus of hotels. But it's a very nice hotel.  
4                   So they sell to the mass market. So not just the clips we  
5                   gave you in Ms. Drake's testimony, that was just part of it,  
6                   but actually your own Hyatt Hotel has that.

7                   So you know, the issue that the Respondents  
8                   focused on attenuated competition at the preliminary  
9                   conference wasn't these different market segments. They  
10                  focused then, and they focused again today on the issue that  
11                  the Chinese focused on white marble products, and the  
12                  domestic industry didn't. So the staff very wisely, on  
13                  their own, put together a chart and asked all the importers  
14                  and domestic producers tell us about the different colors  
15                  you sell.

16                 I refer you to Table IV-5 in your confidential  
17                 staff report. That gives you all the products. Now the  
18                 actual data is BPI, but I know I can categorize it and I  
19                 think the appropriate term, I'm not an economist like Mr.  
20                 Dogan, is to say that the plurality of the domestic sales  
21                 and the plurality of the Chinese sales are white marble.  
22                 It's the biggest segment for everyone. It's clearly the  
23                 biggest segment of the market.

24                 Now I just can't believe that if counsel looked  
25                 at that table, that they would actually allow witness after

1 witness after witness after witness to say well, the Chinese  
2 are doing so well because they're in the white marble and  
3 the domestic industry isn't. In fact, it's clearly the  
4 biggest product for everybody. It's Cambria's biggest  
5 product. It's everybody's biggest product.

6 The problem is pricing. And when you do look at  
7 Products 3 and 4, which there was a lot of focus on today,  
8 you can argue about what's new with pricing and we'll talk  
9 about that later in our post-hearing brief. But look at the  
10 difference in the rate of increase, from the first quarter  
11 of '15 until the third quarter of '18 between the domestic  
12 producers and the Chinese.

13 Their rate of increase is possibly more than 100  
14 times our rate of increase. I mean that's just  
15 mind-boggling. No wonder they're gaining so much market  
16 share. They are gaining share in the biggest segment of the  
17 market. So you know, I think most of your record and the  
18 Respondents had the opportunity to fix that if they wanted  
19 with questionnaires.

20 I know that Commissioner Schmidtlein in a case  
21 maybe about 18 months ago, I made a mistake of not alerting  
22 the Commission to domestic producers of drain products, and  
23 it was my fault and I owned up to it, you know. It was me.  
24 I'm the guy whose name was on it. It was our product, it  
25 was our scope, we should have found out through Googling it

1       that there were these other folks. So I would say  
2       Respondents share that responsibility.

3               It's not like they got Joe Schmoe. They got  
4       Hogan Lovells. By the way, I wasn't even invited to their  
5       Happy Hour. They advertise they have a big Happy Hour going  
6       after this. So I'm actually keeping them from drinks, which  
7       will not make me a popular person.

8               Let me alert you to Mr. Dougan's comments on,  
9       you know, capacity and this capacity shortfall. So his  
10      Chart 3 of structural deficit persists in US QSP market,  
11      even with overstated domestic capacity. Well, as some of  
12      you pointed out in questions, if there's a shortage in the  
13      market, if the domestic industry can satisfy so little of it  
14      and everybody's -- why aren't prices from China going up?

15              Simple economics says if the market's short,  
16      prices go up for the newest supplier. They come in at an  
17      even higher price, because there's a shortage of product.  
18      So that argument flies in the face of economic logic.

19              Now let's get to the capacity argument, because  
20      he says it's overstated domestic capacity, and he does an  
21      analysis on capacity of Cambria, and an incredible chart  
22      showing how, you know, changeovers have such an effect. Let  
23      me tell, it's just noise. Cambria took into account all  
24      their color changes when they gave the capacity, and this is  
25      one of the areas that, based upon the fact that Cambria's

1 the largest U.S. producer, the ITC staff verified Cambria's  
2 questionnaire and it was one of the issues that the staff  
3 focused on. Tell us how you determine capacity, and they  
4 took all these changes into effect.

5 But even so, if they were adding more colors, if  
6 it was taking them more time, if they needed to utilize  
7 their capacity more and their capacity, why did they go  
8 after 15 years of operating seven days a week to operating  
9 four or five days if they needed more time to use their  
10 machinery, because they had more changeover time. Why did  
11 they do it? Because of a flood of dumped and subsidized  
12 imports, the same reason that Cesar Stone is shutting down  
13 an entire line next month.

14 Finally, let me just address critical  
15 circumstances. Basically every single respondent witness  
16 said hey, it couldn't have been us because we didn't  
17 increase our imports after the filing. It must have been  
18 somebody else. But imports went from four million square  
19 feet in April, the month the petition was filed, to 13  
20 million feet in August.

21 So then they say well, you know, there's a lot  
22 of seasonality. But if you look at the chart, and I urge  
23 you, there was a question earlier, you know, that our chart  
24 on critical circumstances was different from the staff  
25 report. Well, I looked at that during the very long

1       afternoon session. The staff report is based on importer  
2       responses, and it covers just a slight majority of imports.

3               So I'd urge you, as you're looking at critical  
4       circumstance, use the actual import data, because otherwise  
5       you don't have the real data. So if it's always seasonal  
6       and there's more imports in the summer even if trade cases  
7       haven't been filed, then why in 2017 were the two biggest  
8       import months October and December?

9               Come on. You just can't make things up because  
10      you're in the middle of a case, and there is real problems.  
11      The inventories of Chinese product are massive. At the end  
12      of September, 30 million square feet. That's twice  
13      Cambria's annual production, and that's why Cesar Stone is  
14      shutting down a line right now, is because of that inventory  
15      overhang.

16              And that's why LG Houses, who didn't come here  
17      at the preliminary conference, they admitted in their  
18      testimony -- they said and "Third, if accepted, Cambria's  
19      critical circumstances allegations will cause significant  
20      harm to LG Houses America's ability to invest even more in  
21      Georgia. That is why we're here today."

22              So they're here because of money. I can  
23      understand that, but let's just tell it like it is. I think  
24      you do, you can take into consideration the gap period, as  
25      we pointed out in our brief. The statute says you can take

1       into account any other factors of importance, and that's a  
2       very unique factor. I'm offended. If in fact it takes  
3       place, we've seen a lot of emails saying that's what they're  
4       planning.

5               Obviously nobody here today is doing it or they  
6       would have fessed up to it. But it seems like a lot of  
7       people are planning on doing it, and I don't think it's  
8       appropriate and it's moral for anybody to advise their  
9       client that they ought to take advantage of the pain and  
10      suffering of the government shutdown.

11             So in summation, this case is clear. In a  
12      market of absolutely booming demand, which you can look at  
13      in the context of the business cycle for quartz-surfaced  
14      product, imports from China exploded. U.S. producers lost  
15      share. Their capacity utilization fell. Their production  
16      and shipments were flattening out, and their profit margins  
17      were falling. Everything for the domestic industry should  
18      have been skyrocketed in a period of booming demand.

19             Two out of three U.S. producers have had  
20      layoffs. This record established a clear causal nexus  
21      between the dumped and subsidized imports from China and the  
22      injury to the U.S. industry. We thank you for your time  
23      today, and look forward to seeing you again soon. Have a  
24      nice evening.

25             COMMISSIONER WILLIAMSON: Thank you.

1                   MR. BURCH: Closing and rebuttal remarks on  
2    behalf of Respondents will be given by Julie C. Mendoza of  
3    Morris, Manning and Martin and Jonathan T. Stoel of Hogan  
4    Lovells. Ms. Mendoza and Mr. Stoel, you have six minutes.

5                   COMMISSIONER WILLIAMSON: Ms. Mendoza and Mr.  
6    Stoel, you may begin when you're ready.

7                   CLOSING STATEMENT OF JULIE MENDOZA

8                   MS. MENDOZA: Thank you. Julie Mendoza. We  
9    won't take up much time. I know everybody's, it's been a  
10   long day. Just a couple of very important points on  
11   critical circumstances, because I think you all understand  
12   the amount of money involved in that.

13                   And I point out that this morning, Ms. Brown  
14   from Busch Products pointed out that when she does  
15   commercial contracts, that they're done months and months in  
16   advance, right, and that that necessarily locks them into a  
17   certain product, okay.

18                   Well the same is true here. I mean when people  
19   were placing orders for quartz in the segments like the  
20   builder segments, they were doing this months and months  
21   before the petition was filed. So I think that is a  
22   relevant factor to consider when you review the nature of  
23   the information.

24                   Secondly, you know, regardless of what Mr.  
25   Schagrin says, the reality is that this is an industry



1       that's performed in a very, very strong manner and just had  
2       an enormous amount of investment.

3               Finally, I think the most important thing to  
4       consider is the new case he filed. I mean to me, if you're  
5       going to say in a new petition that the reason that the  
6       industry has not received the full benefit of the case  
7       against China is because of imports from India and from  
8       Turkey, then I think that kind of resolves the question of  
9       whether China needs to have critical circumstances imposed  
10      on it, because somehow the industry has failed to realize  
11      the full benefit of these cases.

12              CLOSING STATEMENT OF JONATHAN STOEL

13              MR. STOEL: Good evening Commissioners, Jonathan  
14      Stoel again for the record.

15              Just to add to Ms. Mendoza's point on critical  
16      circumstances, I think if you look at the financial -- the  
17      domestic industry's performance in the first three quarters  
18      of the year, you can't have critical circumstances. It's  
19      simply not warranted at a time when subject imports were  
20      high admittedly, the domestic industry did very, very well.

21              There also hasn't been material injury, nor is  
22      there a threat of material injury. This case is not about a  
23      commodity product. It's about an aesthetic product that is  
24      highly dependent on consumer choice. You heard today the  
25      competition between subject imports and U.S. manufactured

1 product is very limited. To use Jim Dougan's term, highly  
2 attenuated.

3 This is because U.S. manufacture of quartz is  
4 manufactured with Breton. It targets the luxury end of the  
5 segment, not where Chinese product is. I think again, we  
6 used this slide several times. Look at what they're trying  
7 to sell. That's what they want you to buy, and it's a very,  
8 very high end, very luxury product.

9 Look where the white is. There were great  
10 questions from the Commission about producing white. We're  
11 not saying that they're not producing white marble looks.  
12 But look at what they're emphasizing in terms of what  
13 they're trying to sell, and the Cambria brand that so very,  
14 very strong.

15 Cambria is being sold in the lobby of the hotel.  
16 Chinese product is being sold upstairs. Cambria is being  
17 sold in Derek Jeter's house, perhaps you know, Chinese  
18 product is being sold in the average American's house. Also  
19 I think as Ms. Mendoza said, this industry is doing very,  
20 very well. We want them to do well.

21 You heard from many, many fabricators today who  
22 are part of the domestic industry. They want the industry  
23 to do well. You also heard from LG Houses, one of the slab  
24 producers, and you heard from Mr. Porter and his witnesses  
25 how remarkably well they are doing.

1                   Again, this is not an industry that is suffering  
2     material injury, and that's partly because as I've said,  
3     look at that product. It's a high end luxury product  
4     manufactured right here in the United States. It's  
5     commanding very, very high prices. Now unfortunately you  
6     heard a few misstatements today from our friends. I would  
7     just like to go through a few of them.

8                   The first was you had a panel of witnesses this  
9     morning. Only Cambria had filed their questionnaire  
10    responses. I think that's unfortunate. You don't have the  
11    data from their fabricators. We haven't had the data to  
12    look at them. Mr. Dougan hasn't had a chance to examine  
13    them, and your staff, which has worked so hard, doesn't have  
14    the data to analyze. I urge you to ask them to submit their  
15    questionnaires immediately.

16                  Secondly, there was discussion about how there  
17    weren't any price increases over the POI. Cambria's own  
18    brief talks about price increases throughout the POI and in  
19    2017. That's simply not true. There was some discussion  
20    that their product might not be protected by brand. But  
21    again, Mr. Marchese said that their product is designed to  
22    "promote exclusivity." Mr. Davis said that it was a  
23    selective product.

24                  This is the sign of how a brand is successful.  
25    This is why he's been successful. He's done very, very

1 well. His company has done very, very well. They also, I  
2 think, have asserted to you that some of their problem was  
3 self-inflicted. We've put on the record lawsuit after  
4 lawsuit in which they've had some challenges with their  
5 business partners. They've had Lexus partners who they've  
6 fought with and then unfortunately they lost sales as a  
7 result of that.

8           The point of that is not to say that Mr. Davis  
9 or his company is not doing well. The point is to say that  
10 has nothing to do with subject imports. Flowform, who  
11 appeared before your staff at the preliminary conference, is  
12 not here today because apparently they were in a fight with  
13 Cambria. I'm assuming that cost them sales.

14           Also, I would like to submit that this case is  
15 about whether there's been injury to manufacturers. What I  
16 heard about this morning was injury to distribution. They  
17 talked about expanding to 16 new distribution centers.  
18 That's not injury to manufacturing. To the extent that they  
19 made mistakes in their business model, that's not at the  
20 hands of subject imports.

21           Lastly, words about our friends the fabricators.  
22 These are good Americans, good American companies. I don't  
23 think that you can discount them, okay. It's important for  
24 you to consider their views as you decide whether there's  
25 been injury in these investigations. We thank you for your

1       time and your attention.

2                   COMMISSIONER WILLIAMSON: Thank you. Now it's  
3       time for closing statement. Post-hearing briefs, statements  
4       responsive to questions and requests of the Commission and  
5       correction to the transcript must be filed by May 16, 2019.  
6       Closing of the record and final release of data to parties  
7       is June 5th, 2019. Final comments are due June 7th, 2019.  
8       So thank you to all those who participated in this hearing.  
9       This hearing is adjourned.

10                   (Whereupon, at 6:21 p.m., the hearing was  
11       adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Quartz Surface Products from China

INVESTIGATION NOS.: 701-TA-606 and 731-TA-1416

HEARING DATE: 5-9-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 5-9-19

SIGNED: Mark A. Jagan  
Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine  
Signature of Court Reporter